



Shooting Sports Management



SONORAN DESERT INSTITUTE

SCHOOL OF FIREARMS TECHNOLOGY

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Chapter 1 - Gun Laws and Legislation

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The information in this book is current at time of printing, since gun laws are continually changing, it is suggested you check with the state and local government along with the ATF to find current information. www.atf.gov.

Introduction

One of the most difficult issues confronting firearms businesses and firearms owners is the need for fully trained, competent gunsmiths. Unfortunately, there are many people out there, some of them federal licensees, who claim to be gunsmiths but have very little knowledge or skills in that area. Gun owners often complain that these people hold their guns for unreasonable periods of time and, when they finally get them back, the necessary repairs have either been made poorly or not made at all. This is often not discovered until the gun owner has paid for the repairs that have supposedly been made, forcing him into a decision on whether it is worth the expense of taking legal steps to recover his money or just to go to another gunsmith and start the repair process over again.

The poor state of our economy forces many gun owners to delay purchasing new firearms until their finances are in better shape.

In addition, the machine gun ban of 1986 says that private citizens can only own machine guns that were manufactured and transferrable before May 19, 1986. As these firearms get older, many of them will need to be repaired. Remember, some parts of a machine gun are considered a machine gun. If these parts break, they cannot be replaced unless the replacement machine gun was also manufactured before May 19, 1986 [18 USC 922(o)].

These problems, along with the threat of more regulation and additional laws restricting firearms sales that seem to come with the publicity surrounding every mass shooting, may result in the curtailment of new gun sales. Therefore, there may be an even larger demand for the knowledgeable gunsmith in the near future. Existing firearms will have to be maintained, and broken guns will need repairs, often requiring the gunsmith to manufacture new gun parts. Collectors and museums will want their collector pieces restored and preserved. At this moment, most areas in the United States could use more gunsmiths, and this demand will most likely increase in the future. It is estimated there will be a need for many more skilled gunsmiths in the United States during this decade than are currently available. Anyone with the knowledge of firearms (including their repair and restoration) cannot help but fare well.

Besides needing a thorough knowledge of firearms, their operating characteristics, and how to repair them, the modern gunsmith is faced with numerous rules and regulations that he or she must abide by. Learning all of these laws may be difficult at first, but eventually they will become second nature.

This lesson covers the basic laws governing firearms at the present time. However, these laws are modified frequently. When you receive your Federal Firearms License (FFL), you will also receive a booklet titled *Your Guide to Federal Firearms Regulation* (ATF Publication 5300.4), shown in Figure 1, and another book titled *Federal Firearms Licensee Quick Reference and Best Practices Guide* (ATF Publication 5300.15), published by the Bureau of Alcohol, Tobacco, and Firearms (ATF). If for some reason these books do not arrive with your FFL, request copies immediately. Read the first 11 pages of the ATF Publication 5300.15. Look at the sample Acquisition & Disposition Record on pages 13 and 14 and briefly look at the sample forms on page 15 of the regulation book. Read the questions and answers in ATF Publication 5300.4, which are written in plain English. Take a look at the regulations referred to in the answers for the sections concerning "Licensing," "Form 4473," "Records Required," "Conduct of Business," "Manufacturers," "Gunsmiths" and "Brady Law." Don't worry about memorizing any of the answers or the regulations cited. Concentrate on understanding the concepts involved and how these requirements tie into the purpose of keeping firearms away from prohibited people. Before you obtain your FFL, an ATF Industry Operations Investigator will review these regulations with you and answer any questions you have. Then, keep both books handy at all times to review in case certain questions arise. If you are in doubt about a rule or regulation and you do not find the answer in one of these books, or aren't sure you understand the answer you found, call your nearest ATF office for assistance. In most cases, they will be able to give you a ruling on the spot.

Key Principles of Federal Law Applicable to Firearms Transactions

- A “prohibited person” can never legally possess a firearm.
- A person who is buying and selling firearms with the intent of making a profit is “engaging in business” and must obtain a Federal Firearms License.
- In a sale between two licensees, the seller is required to verify the license status of the buyer.
- The Firearms Transaction Record and InstaCheck (NICS) were designed to prevent prohibited people from acquiring firearms from licensees.
- In any sale from a licensee to a non-licensee, a Firearms Transaction Record must be completed and an InstaCheck must be conducted.
- Under federal law, a sale between two non-licensees does not have to go through a licensee. However, take note of the following:
 - The buyer and seller must be residents of the same state.
 - The buyer cannot be a prohibited person.
 - A licensee can “acquire” firearms anywhere. He can only “dispose” of firearms at his licensed premises or at a “gun show” in his home state.

National Firearms Act weapons, such as machine guns, are the only firearms that are registered under federal law.

- All transactions in NFA weapons must be approved by ATF before they can take place.

- A “making tax” and “transfer tax” are imposed on NFA transactions involving non-licensees.
- Licensees who wish to manufacture, import, or deal in NFA weapons must pay an occupational tax to do so, in addition to their license fee.
- Payment of the tax exempts them from the “making tax” if they are manufacturers.
- A sale or “transfer” between two NFA licensees is exempt from the “transfer tax.”

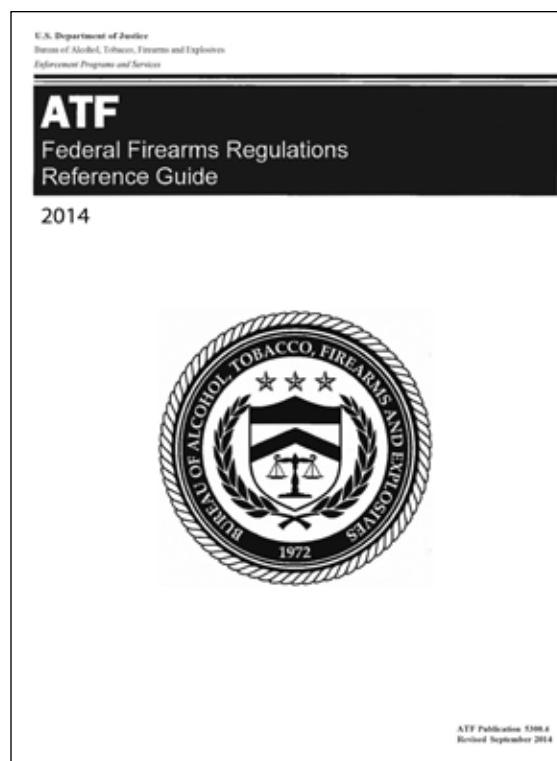


Figure 1: Obtain, read, study and keep a copy handy of the latest edition of the Federal Firearms Regulations Reference Guide.*

**The 2014 edition is the current copy available at the time of printing.*

What is a “Prohibited Person”

A prohibited person is an individual who may be characterized by any of the following:

- Has been convicted in any court of a crime punishable by imprisonment for a term exceeding one year.
- Is a fugitive from justice.
- Is an unlawful user of or addicted to any controlled substance This includes medical and recreational marijuana even if legal in your state. If it is prohibited Federally, it makes you a prohibited person.
- Has been adjudicated as a mental defective or has been committed to a mental institution.
- Is an alien illegally or unlawfully in the United States or an alien admitted to the United States under a nonimmigrant visa.
- Has been discharged from the Armed Forces under dishonorable conditions.
- Having been a citizen of the United States, has renounced his or her citizenship. There are specific requirements to renounce your citizenship.
- Is subject to a court order that restrains the person from harassing, stalking, or threatening an intimate partner or child of such intimate partner
- Has been convicted of a misdemeanor crime of domestic violence or where the underlying charge was one of domestic violence.
- Cannot lawfully receive, possess, ship, or transport a firearm.
- A person who is under indictment or information for a crime punishable by imprisonment for a term exceeding one year; such person may continue to lawfully possess firearms obtained prior to the indictment or information.

Your Federal Firearms License

Anyone who engages in a business engraving, customizing, refinishing or repairing firearms must obtain an FFL. You will also need a license if you personally manufacture firearms, buy guns or ammunition for resale to others at wholesale or retail prices; reload ammunition for others; or take possession of someone else's firearms, for even simple maintenance as part of a business [27 CFR 478.11; 27 CFR 478.41].

To qualify for an FFL, shown in Figure 2, you

- must be 21 years of age or over;
- must not be prohibited from shipping, transporting, receiving or possessing firearms or ammunition;
- must not have willfully failed to disclose any material information, or made any false statement, as to any material fact in connection with an application for an FFL; and
- must have premises from which you conduct your business, or from which you intend to conduct a dealer's business within a reasonable period of time.

You must also certify all of the following:

1. The business to be conducted is not prohibited by state or local law at that location.
2. Within 30 days of the approval of the application, the business will comply with applicable state and local law requirements.

3. The business will not be conducted until the requirements of state and local law have been met.
4. You have sent a copy of the application to the chief law enforcement officer where the premises is located notifying that officer that you have applied for a license.
5. Secure gun storage or safety devices will be available at any place where firearms are sold to non-licensees [27 CFR 478.47(b)].

An FFL entitles you to buy and sell, at wholesale or retail, firearms and ammunition to residents of your state. You may also, depending on state laws, sell to residents of other states that share a common border [18 USC 933(b)3; 27 CFR 478.41(b); 27 CFR 478.96].

U.S. Department of Justice
Bureau of Alcohol, Tobacco, Firearms and Explosives

Federal Firearms License
(18 U.S.C. Chapter 44)

This license is not transferable under 27 CFR 478.3. See "PURCHASE" and "TRANSFER" in reverse.

Grantor ABF - Chief, HLC
Correspondence To: 244 North Road
Malden, MA 02148-4041

Licensee: 5-76-201-07-7J

Signature: *Lucy Robertson*

Date: September 1, 2017

Business Name: GAY COAST FIREARMS

Premises Address: 244 North Rd, Malden, MA 02148-4041

Type of Business: MANUFACTURER OF FIREARMS OTHER THAN DESTRUCTIVE DEVICES

Business Details: This is a receipt of payment of Special (Overshooting) Tax (SOT) under the National Firearms Act (27 CFR 478.3).

2015 Special Tax Stamp

TAX 2015 YEAR

Amount Paid: \$100.00

Number of Licenses: 1

Date of Tax Payment: JUNE 24, 2014

Date of Special Tax Period: 07/01/2014 TO 06/30/2015

Entered By: Lucy Robertson

Figure 2: Sample of FFL you will receive if you qualify.

You may operate out of your home, a garage, an outbuilding, or a regular place of business, but you must be open to the public during the hours you specify on your application [27 CFR 478.11].

Some local zoning laws may prohibit you from operating any business out of your home, or may prohibit the manufacture or storage of ammunition. So be sure you look into your local requirements for a business license to operate from your home before applying for an FFL [18 USC 923(d)(1)].

When you specify “open to the public” on your application, you need only open your doors for the time specified. If you are a gunsmith only, you can also open “by appointment only,” provided you set core hours when you will usually be available for ATF inspection. Many part-time gunsmiths have a regular job working for another firm. Therefore, they prefer to open their own business a couple hours each day, for example, from 6 p.m. to 8 p.m. weekdays, and from 9 a.m. to noon weekends. This is perfectly legal, as long as those are the hours listed on your application. You only need to be open to the public you intend to serve, presumably gun owners requiring repairs [18 USC 923(d)(1); ATF Ruling 73-13].

If you are a dealer and a gunsmith, an FFL also entitles you to do gun repairs on the same premises, providing this phase of your business is also open to the public during the hours listed for non-repair services. The cost for an FFL entitling you to buy, sell, and repair guns is \$90 every three years after the \$200 fee for the first three years [18 USC 921(a)(11)(B) 27 CFR 478.42; 27 CFR 478.47(b)].

To apply for your FFL, call 202-648-6420 to request an application package from the ATF Distribution Center. You may also contact your local ATF Industry Operations Office. To find your local ATF Office, check your local telephone directory or go to the ATF website, www.atf.gov. Click on “Contact ATF” and then on “Contact by State” to find all ATF offices in your state.

Request an Application package to obtain a Federal Firearms License. You will then receive an application and instructions for filling it out.

At this point, you should seriously consider speaking with an attorney, preferably one intimately aware of federal firearms laws, regarding forming some form of business entity to protect you in case you are sued. Furthermore, if you elect to form some form of business entity, you will apply in the name of the business entity, not your own name.

In approximately two months, after attending the initial interview with your local Industry Operations Inspector, you will receive your FFL if you qualify. It should be displayed prominently in your place of business. Do not sign your license. Have a few dozen copies made at your local office supply store or library [27 CFR 478.47].

When ordering firearms or ammunition for the first time from a manufacturer or supplier, send a copy of your license with an original signature with your order. When requesting catalogs also send a copy of the license; most suppliers require a copy of an FFL as proof that you are entitled to trade discounts [27 CFR 478.94].

Your license is in effect until the expiration date shown on the license. It covers operations only at the location shown on the license, and under certain restrictions, at gun shows and similar activities. When it is time to renew your FFL, the ATF will send a renewal application to you about 60 days before the expiration date shown on your license. If you do not receive your renewal application 45 days before the license expiration date, and you want to stay in business, immediately notify your local ATF office or the Federal Firearms Licensing Center. You can contact the licensing center by phone at (866)662-2750. See the ATF website (www.atf.gov) for the mailing address [27 CFR 478.49; 27 CFR 478.45].

To renew your FFL, complete and send the application, with the fee attached, to the Post Office Box listed on the renewal application

before the license expiration date. Filing your renewal application on time gives you the right to continue operations until the ATF acts on the application, no matter how long it takes. If necessary, you can obtain a “Letter of Authority” from the ATF documenting your timely renewal and right to operate for your suppliers. (27 CFR 478.45)

ADVANTAGES OF A BUSINESS ENTITY OR GUN TRUST

NFA firearms can be purchased and owned by individuals, business entities, or trusts. Over the past few years the gun trust has become the most widely used entity for purchasing NFA firearms because of flexibility that comes with a gun trust. A gun trust is a form of trust that has been written to address the unique aspects of purchase, use, transfer, and devise of firearms. Not all trusts are gun trusts and many so-called gun trusts advise people to do things that are in

violation of the law. It is important that unless you are a lawyer, you not provide legal advice or help people create a gun trust. In many states, it is a violation of the law for a non-lawyer to fill out a trust form for another individual. You can download a brochure with more details about gun trusts at www.guntrustlawyer.com/NFA_Gun_Trust_brochure.pdf.

KEEPING RECORDS

Gunsmiths and dealers must maintain a separate permanent record of all firearms acquired and disposed of. This includes firearms received in pawn, curios and relics, and firearms received for repair [27 CFR 478.125].

Firearms must be logged in when received and logged out as they are disposed of, using a *Firearms Acquisition and Disposition Record (A & D Record)* like the one shown in Figure 3 [27 CFR 478.125(e)].

Description of Firearm						Receipt		Disposition	
Manufacturer and Importer (if any)	Model	Serial Number	Type	Caliber or Gauge	Date	Name and Address or Name and Licensee No.	Date	Name	Address or Licensee No. if licensee, or Form 4473 Serial Number if Forms 4473 filed numerically
1. Ithaca	1021004	660138	Shotgun	20	8/2/01	John's Fine Guns FFL 4-42-98777	1/29/02	James House	Form 4473 #2
2. Smith & Wesson	10	M60512	Revolver	.38	8/4/01	Snap Shop FFL 7-86-34989			
3. Western Field	10504	G91467	Shotgun	20	8/4/01	John's Fine Guns FFL 4-42-98777	11/2/02	Jim Michaels	Form 4473 #68 <i>Rod & Gun Show Springfield, IL</i>
4. Winchester	94	382906	Rifle	30-30	11/4/01	Al Green 928 Bob Hill Oak Hill, IL 60651	9/1/02	William Bounce	Form 4473 #50
5. Remington	870	4932	Shotgun	16	6/9/02	Thomas Problem 605 E. Colonial Bluff, IL 60651	6/20/02	Fit It or Melt It, Inc.	FFL 5-46-39988
6. Remington	540X	312698V	Revolver	.22	7/2/02	Joan Realtor FFL 2-91-34487	7/14/02	Brian Smith	605 E. Colonial Blues, IL 60651 (<i>Personal Collection</i>)
7. Browning	1200	38679	Pistol	.45	8/24/02	Jon Doe 631 Pine Street Elkton, IL 60605	7/1/03	Jon Doe	Form 4473 #56
8. Western Field	10504	G91467	Shotgun	20	11/24/02	Jim Michaels 829 Columbia Springfield, IL 60685	12/2/02	Stolen Reported	ATF Issued Incident Number F2010-001579
9. Smith & Wesson	43-1	M60562	Pistol	.22	12/1/02	Brian Smith (owner) 84 Winsor Cambridge, IL 60731	12/12/02	Tom Jones-Metro Police	305 Wilkins Road Atchison, Kansas 70519 <i>Certification Letter on File</i>
10. Remington	870	4932	Shotgun	16	12/12/02	Fit It or Melt It, Inc. FFL 5-46-39988	12/2/02	Thomas Problem	605 E. Colonial Bluff, IL 60651
11. ABC International Arms/West Coast Importers, LLC	WASR-3HI	7117	Rifle	.223	12/7/02	West Coast Importers, LLC FFL 3-68-87102	12/9/02	Matthew Johnson	Form 4473 #86

Figure 3: Sample entries for Acquisition and Disposition Book for Federal Firearms licensee Brian Smith for Brian's Sport Shop. It is important to keep accurate records.

You will have to prepare Form 4473, the *Firearms Transaction Record*, covering the transfer of each firearm to a non-licensed person. Read this form carefully; it is the most important form or record you will keep. These forms must be kept alphabetically by name of purchaser, chronologically by date of disposition, or numerically by transaction serial number. Form 4473, Part I, shown in Figure 3 is used for over-the-counter sales. Form 4473, Part II, is used for non-over-the-counter sales. Form 4473 Part II can only be used if the transaction is exempt from the requirement for an InstaCheck. **No licensee should use Form 4473 Part II until he completely understands the requirements of 27 CFR 478.124(f) and 27 CFR 478.96(b)** [27 CFR 478.102; 27 CFR 478.124; 27 CFR 478.96(b)].

Form 4473 does not have to be prepared to cover the return of a repaired firearm to the same person who gave it to you for repair. However, to qualify for this exemption, the person you're returning the firearm to must be the exact same person who brought it in, not a friend or relative acting on his or her behalf [27 CFR 478.124(a)].

You must also keep a record of all armor-piercing ammunition received and disposed of (see 27 CFR 478.11 for the definition of Armor-Piercing Ammunition). Records of the sale of armor-piercing ammunition to law enforcement or government agencies must be kept for two

years. Other records must be kept for 20 years. The information should be kept in a bound book with the information listed as shown in Figure 4. Be sure that all of the information is filled out on the form. Ammunition and firearms record books are available from a number of sources, including Brownells [27 CFR 478.125]. To keep a computerized record of this type of information, you need to request a variance [27 CFR § 478.125(h) i].

TRANSFER BETWEEN LICENSEES

Licensees may freely buy and sell firearms and ammunition among themselves. They do not have to prepare Form 4473 on transfers to other licensees; however, these transactions must be recorded in a bound record book. The licensee receiving the firearms or ammunition must furnish a signed copy of his or her license to the licensee selling, or otherwise disposing of, any firearm prior to making the transaction. Licensees may also ship interstate to other licensees [27 CFR 478.94].

Dealers may take orders for firearms and ammunition at any location, but the orders must be filled only at your licensed premises or a gun show in the licensee's home state. This includes sales or dispositions to other licensees [27 CFR 478.41; 27 CFR 478.50; 27 CFR 478.100].

Importer's Firearms Disposition Records

Quantity	Type	Manufacturer	Country of Manufacture	Caliber or Gauge	Model	Serial No.	Name & License No. of Transferee	Date of the Transaction

Importer's Armor Piercing Ammunition Disposition Records

Date	Manufacturer	Caliber or Gauge	Quantity of Projectiles	Name & License No. of Purchaser

Figure 4: Ammunition disposition record should contain the above information.

KNOW YOUR CUSTOMER

Before delivering any firearm or armor-piercing ammunition, identify the buyer by name, date of birth, residence address and a photograph. This information must be verified from a Government-issued Identification Document [27 CFR 478.11; 27 CFR 478.124(c); 27 CFR 478.102(a)(3)].

Under federal law, the minimum age for purchasers of firearms and ammunition may be either 18 or 21 years, depending on the item being purchased. You may not sell a handgun or handgun ammunition to persons under 21 years of age. You may not sell shotguns or rifles, or shotgun and rifle ammunition, to persons under 18 years of age. You may sell ammunition that is interchangeable between rifles and handguns to a purchaser who is at least 18 years of age, if you are satisfied that he or she will use the ammunition in a rifle [27 CFR 478.99(b)].

If you sell or deliver a handgun to a non-licensed person, that person must be a resident of the state in which your licensed premises is located. If you sell or deliver a rifle or shotgun to a non-licensed person, that person must be a resident of the state in which your business is located. In some cases, you may sell rifles and shotguns, but not handguns, to a resident of another state. This latter condition is valid only if the buyer's state allows an out-of-state purchase and if the licensee's state allows a sale to an out-of-state resident [27 CFR 478.96(c)].

In addition to these requirements, you may not lawfully sell or dispose of any firearm or ammunition to prohibited people, such as convicted felons. In addition, a licensee may not make a sale or disposition of a firearm to anyone if the sale or disposition would violate any state or local law [27 CFR 478.99(b)]. Remember that in most states no background check is required to sell ammunition, but you cannot sell ammunition to someone you know or should know is a prohibited person.

If firearms are lost or stolen, you should immediately contact your local law enforcement authorities and report the theft or loss to ATF within 48 hours after the theft or loss is discovered. Licensees must report thefts or losses by telephoning 1-888-930-9275 (nationwide toll free number) and by preparing ATF Form 3310.11, Federal Firearms Licensee Theft/Loss Report [27 CFR 478.39a].

NOTE: If you deliver more than one handgun to the same individual non-licensee within five consecutive business days, this must be reported to the ATF on Form 3310.4. The original copy of this form must be mailed to the ATF's National Tracing Center (244 Needy Road Martinsburg, West Virginia 25405) at the end of the business day on which the sale occurs. A second copy is sent to the Chief Law Enforcement Officer where the sale took place. A third copy is retained by the licensee [27 CFR 478.126a].

NOTE: If you hold a firearm in for repair for more than 30 days, you must now complete a 4473 when the firearm is returned to the customer.

Licensed collectors may buy or acquire firearms classified as curios and relics from any source. If they have firearms in their collection they no longer want, these firearms may be disposed of to another licensee anywhere, or to non-licensed residents in the collector's home state, just as a non-licensee can. A licensed collector maintains a modified version of the A & D record maintained by licensed dealers. A licensed collector does not prepare Forms 4473. A licensed collector is not conducting a business. A person conducting the business of buying and selling curios and relics should be licensed as a dealer [27 CFR 478.11; 27 CFR 478.41(d); 27 CFR 478.93; 27 CFR 125(f)].

If a licensee moves his or her business location, the Chief of the Federal Firearms Licensing Center must be notified at least 10 days before moving the firearms and ammunition to a new address [27 CFR 478.52].

If you go out of business, the following rules must be observed:

- Within 30 days after the licensee sells or otherwise discontinues the firearms or ammunition business, written notice must be given of this change in status to the Chief of the Firearms Licensing Center.
- If a licensee goes completely out of business, the records and forms required to be kept by the regulations must be delivered to the ATF Out of Business Records Center within 30 days.
- If the business is sold to a new owner, these records and forms can either be transferred to the new owner, sent to the Out of Business Records Center or to any ATF Office in the Field Division in which the business is located. (Some licensees do not want to assume responsibility for their predecessor's records) [27 CFR 478.57; 27 CFR 478.127].

STRAW PURCHASE

A straw purchase for firearms or ammo occurs when someone purchases a firearm or ammo for someone else whether they are a prohibited person or not. While it is ok to purchase a firearm as a gift, it is not permitted to allow someone else to purchase a firearm when the intended owner will be someone else. ATF has been aggressively pursuing straw purchases and bringing charges against individuals and dealers who participate in this illegal activity. The most common charge is for making a false statement on the 4473 where you must certify that the firearm is for your own use. While a background check is not required in most states with the purchase of ammo, sale of ammo to someone you know or should have reason to know is a prohibited person is also a straw purchase.

SALES TO LAW ENFORCEMENT OFFICERS

Section 925(a)(1) of the Gun Control Act of 1968 (GCA) exempts law enforcement agencies from the transportation, shipment, receipt, possession or importation controls of the act when firearms are to be used for the official business of the agency.

If a law enforcement officer is issued a certification letter on the agency's letterhead, signed by a person in authority within the agency (other than the officer purchasing the firearm), stating that the officer will use the firearms in performance of official duties, and that a records check reveals that the purchasing officer has no convictions for misdemeanor crimes of domestic



Figure 5: Be sure to understand the laws regarding selling and working with law enforcement officers' firearms.

violence, then the officer specified in the certification may purchase a firearm from you, regardless of the state in which he or she resides, or in which the agency is located. The seller is not required to prepare a Form 4473 covering such a sale; however, the transaction must be entered in the permanent record. The certification letter from the officer must be kept in your files.

The ATF considers the following as persons having the authority to make certifications that the law enforcement officer purchasing the firearms will use the firearms in the performance of his or her official duties:

- In a city or county police department, the director of public safety or the chief or commissioner of police.
- In a sheriff's office, the sheriff.
- In a state police or highway patrol department, the superintendent of the supervisor in charge of the office.
- In federal law enforcement offices, the supervisor in charge of the office to which the federal officer or employee is assigned.

The ATF also recognizes the validity of someone signing on behalf of a person of authority, provided there is a proper delegation of authority and overall responsibility has not changed in any way.

Before making a sale to a law enforcement officer, check with the appropriate officials in your home state and the purchasing officer's home state to make sure the sale is legal under state law. The most important thing to remember is that this exemption only applies to duty weapons. A law enforcement officer purchasing a firearm for personal use is considered a private citizen [27 CFR 478.134].

This is only a brief overview of the federal laws covered in the ATF publication 5300.4, *Your Guide to Federal Firearms Regulations*. Be sure that you become familiar with this guide. It is sent to all FFL holders. You should read and become familiar with ATF Publication 5300.15, *Federal Firearms Licensee Quick Reference and Best Practices Guide*. You will also get periodic newsletters from ATF, roughly once every six months which are written in plain English. You should read them and, if there's anything you have a problem understanding, you should contact your local ATF office. Updated issues of these publications are sent to all dealers when available.

You must follow all state, city, and local laws as well. Some state and local laws and regulations are covered in ATF publication 5300.5, *State Laws and Published Ordinances*, shown in Figure 6. This publication is also sent to all FFL holders. However, complying with state and local laws goes beyond the state laws listed in ATF Publication 5300.5. The ATF prepared that publication by contacting state authorities and asking them what they wanted to include in the book. What the states provided was not necessarily complete. In addition, major changes to state and local laws sometimes come in between editions of the ATF publication which might not be re-issued for a couple of years. You need to contact state and local authorities and get information concerning their requirements from those authorities, not just from the ATF publication.

In case there is a conflict between the federal and state regulations, federal law does not supersede state law and state law does not supersede federal law. Where they do not agree, you must comply with whichever is stricter. You will then be in compliance with both.

**Firearms Transaction Record Part I -
Over-the-Counter**

WARNING: You may not receive a firearm if prohibited by Federal or State Law. The information you provide will be used to determine whether you are prohibited under law from receiving a firearm. Certain violations of the Gun Control Act are punishable by up to 10 years imprisonment and/or up to a \$250,000 fine.

Transferor's Transaction Serial Number

Prepare in original only. All entries must be in ink. Read the Important Notices, Instructions and Definitions on this form. "Please Print."

Section A - Must Be Completed Personally By Transferee (Buyer)

1. Transferee's Full Name

Last Name	First Name	Middle Name (If no middle name state "NMN")
-----------	------------	---

2. Current Residence Address (Cannot be a post office box.)

Number and Street Address	City	County	State	Zip Code
---------------------------	------	--------	-------	----------

3. Place of Birth

U.S. City/State	Foreign Country	4. Height Ft. _____ In. _____	5. Weight	6. Gender Male <input type="checkbox"/> Female <input type="checkbox"/>	7. Birth Date Month Day Year
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8. Social Security Number (Optional, but will help prevent misidentification.)

9. Unique Personal Identification Number (UPIN) if applicable (See Instruction to Transferor 6.)

10. Race (Ethnicity) (Check one or more boxes.)

<input type="checkbox"/> American Indian or Alaska Native	<input type="checkbox"/> Black or African American	<input type="checkbox"/> Native Hawaiian or Other Pacific Islander
<input type="checkbox"/> Hispanic or Latino	<input type="checkbox"/> Asian	<input type="checkbox"/> White

11. Answer questions 11.a. through 12 by writing "yes" or "no" in the boxes to the right of the questions.

- a. Are you the actual buyer of the firearm(s) listed on this form? **Warning: You are not the actual buyer if you are acquiring the firearm(s) on behalf of another person. If you are not the actual buyer, the dealer cannot transfer the firearm(s) to you. (See Important Notice 1 for actual buyer definition and examples.)**
- b. Are you under indictment or information in any court for a felony, or any other crime, for which the judge could imprison you for more than one year? **(An information is a formal accusation of a crime by a prosecutor. See Definition 3.)**
- c. Have you ever been convicted in any court of a felony, or any other crime, for which the judge could have imprisoned you for more than one year, even if you received a shorter sentence including probation? **(See Important Notice 4, Exception 1.)**
- d. Are you a fugitive from justice?
- e. Are you an unlawful user of, or addicted to, marijuana, or any depressant, stimulant, or narcotic drug, or any other controlled substance?
- f. Have you ever been adjudicated mentally defective (which includes having been adjudicated incompetent to manage your own affairs) or have you ever been committed to a mental institution?
- g. Have you been discharged from the Armed Forces under dishonorable conditions?
- h. Are you subject to a court order restraining you from harassing, stalking, or threatening your child or an intimate partner or child of such partner? **(See Important Notice 5.)**
- i. Have you ever been convicted in any court of a misdemeanor crime of domestic violence? **(See Important Notice 4, Exception 1 and Definition 4.)**
- j. Have you ever renounced your United States citizenship?
- k. Are you an alien illegally in the United States?
- l. Are you a nonimmigrant alien? **(See Definition 6.) If you answered "no" to this question, you are not required to respond to question 12.**
12. If you answered "yes" to question 11.l., do you fall within any of the exceptions set forth in Important Notice 4, Exception 2? (e.g., valid State hunting license.) **(If "yes," the licensee must complete question 20c.)**
13. What is your State of residence (if any)? **(See Definition 5. If you are not a citizen of the United States, you only have a State of residence if you have resided in a State for at least 90 continuous days immediately prior to the date of this sale.)**
14. What is your country of citizenship? **(List/check more than one, if applicable.)**

United States of America Other (Specify) _____

15. If you are not a citizen of the United States, what is your U.S.-issued alien number or admission number?

Note: Previous Editions Are Obsolete

ATF Form 4473 (5300.9) Part I
Revised July 2005

Figure 6: ATF Form 4473 is needed for transfer of firearms by a licensee.

NFA GUNSMITHING

As mentioned previously, NFA firearms, such as machine guns, short barreled rifles, sawed-off shotguns, destructive devices, and silencers are the only firearms registered under federal law. Normally, any time one of these firearms changes hands, that is considered a transfer and must be approved by ATF before the firearm can change hands.

Manufacturers, importers, and dealers who want to acquire and dispose of NFA weapons must pay a special occupational tax (SOT), in addition to their license fees, to do so. This SOT payment also exempts them from the making tax (Manufacturer) or from the transfer tax (Importers or Dealers) [27 CFR 479.31; 27 CFR 479.68; 27 CFR 479.88].

Licensed gunsmiths can accept NFA weapons for repair and modification without paying occupational tax or transfer tax. This interpretation is documented in an ATF open letter on "Repair of NFA Firearms," dated February 18, 2000, and available on the ATF website.

However, there are several things you must keep in mind before doing so to avoid committing a serious violation of the law:

- Only a licensed manufacturer, who has paid the NFA Special Occupational Tax as an NFA Manufacturer, can manufacture an NFA weapon without prior approval by ATF and without paying the \$200 making tax [27 CFR 479.62].
- Since the machine gun ban of 1986, no machine gun can be manufactured except for sale to a government agency or for export. Only machine guns manufactured and registered as transferrable before 1986 can be owned by a private citizen, business entity or a gun trust [18 USC 922(o)].
- There is sometimes a fine line between gunsmithing and manufacturing. Generally speaking, if you are repairing



Figure 7: There are specific laws that apply to machine guns like the one shown above.

or modifying a customer's gun, for his or her personal use you are gunsmithing (see remarks below on converting a customer's firearm to an NFA weapon). You can do that with a dealer's license without paying the Special Occupational Tax. If you are modifying a firearm to prepare it for sale, generally speaking, you may be manufacturing and could need a manufacturer's license and to pay the Special Occupational Tax [ATF's NFA Handbook Sections 7.2.2 & 7.2.3].

If you have a Special Occupational Tax to manufacture NFA firearms you must now comply with ITAR. ITAR primarily deals with the import and export of firearms. Even if you never import or export any firearms, you must apply and pay the \$500 yearly fee for ITAR.

Fortunately, it is fairly easy to protect yourself from inadvertently incurring SOT liability or breaking the law. If you are working on a customer's NFA firearm which will be used for his personal use, you are gunsmithing. However, see remarks below on converting a customer's firearm to an NFA weapon [ATF's NFA Handbook Section 7.2.3].

If you are manufacturing an NFA firearm for sale or as part of the manufacturing process for a commercial customer, you are almost certainly manufacturing and need a manufacturer's license and to pay SOT [ATF's NFA Handbook Section 7.2.3].

If you are on or close to the line between manufacturing and gunsmithing, such as modifying an NFA weapon which your customer may want to sell, contact your nearest ATF office, tell them exactly what you are going to do, and ask them if that is gunsmithing or manufacturing. This communication should be in writing so that you can get a written answer, hopefully from the Firearms Technology Branch; you will have the written response in your possession should questions arise in the future.

If you are asked to convert a standard firearm to an NFA weapon (not a machine gun) for a customer who already owns the weapon, this could only be done after a Form 1, prepared by the owner, is approved by ATF and the making tax paid. In order to do this without a manufacturer's license and SOT payment, the firearm must already belong to the customer and be intended only for his or her personal use [ATF's NFA Handbook Sections 7.2.2 & 7.2.3].

NFA weapons are only within the law if they are in the possession of the person they are registered to. The ATF allows a limited exception for a weapon being temporarily transferred to a gunsmith for repair and subsequent return to its owner. However, to avoid possible misunderstandings with the ATF or local law enforcement, it is important that you document your legal right to possess the NFA weapon you are working on [ATF Open Letter 2/18/00 on Repair of NFA Firearms].

This can be done in a couple of different ways. The ATF "suggests" the owner obtain permission from the ATF for the transfer by completing and mailing ATF Form 5 (5320.5) to the NFA branch and receive approval prior to the delivery. The gunsmith should do the same prior to returning the firearm. The ATF "suggests" this because it is not required. The advantage is that this absolutely establishes your

right to possess the weapon. The disadvantage is that getting Form 5 approved takes time. It will probably take at least a month to get each Form 5 approved.

Another way is by having the customer send you a letter stating that he is the registered owner of the NFA weapon, giving you the manufacturer model and serial number, enclosing a copy of the ATF Form registering the firearm to him and stating exactly what he wants you to do before returning the firearm to him. When you return the firearm, you would send him a letter, along with the copy of his registration form, telling him exactly what you've done. This way has the advantage of not having to wait for ATF to approve a Form 5. Another advantage is that it reduces the possibility of a misunderstanding between you and your customer by him, or her, stating exactly what he wants done and you stating exactly what was done. If you feel that what he wants would get you into that gray area between manufacturing and gunsmithing, you could use the information from his letter as the basis of your communication with the ATF to make sure you could do that work without a manufacturer's license or SOT payment.

If you are converting an NFA weapon to an unserviceable NFA weapon, it is recommended using the Form 5 method so that the ATF would then have the firearm registered as an unserviceable weapon, a weapon that cannot fire a shot or be readily restored to a firing condition. Unserviceable weapons are still subject to the requirements of the NFA, but can be transferred, as a curio or ornament, without paying the transfer tax by using a Form 5. An acceptable method of rendering most firearms unserviceable is to fusion weld the chamber closed and fusion weld the barrel solidly to the frame. Certain unusual firearms require other methods to render the firearms unserviceable [27 CFR 479.11 and 479.91].

Questions and Answers

The following questions and answers are intended to help you better understand federal laws and regulations that pertain to firearms and ammunition. Although this listing is by no means all-inclusive, it contains a selection of those questions that the ATF receives frequently.

These questions and answers relate only to federal laws and regulations. Numerous states, counties, and municipalities have enacted their own requirements concerning firearms and ammunition. State laws and local ordinances that are relevant to the enforcement of the Gun Control Act are contained in ATF Publication 5300.5 or later editions.

GENERAL QUESTIONS

Q: Who can get a license?

- ATF will approve the application if the applicant is 21 years of age or older;
- is not prohibited from shipping, transporting, receiving or possessing firearms or ammunition;
- has not willfully violated the Gun Control Act (GCA) or its regulations;
- has not willfully failed to disclose material information or willfully made false statements concerning material facts in connection with his application;

- has premises for conducting business or collecting; and
- the applicant certifies that
 - the business to be conducted under the license is not prohibited by state or local law in the place where the licensed premises is located;
 - within 30 days after the application is approved the business will comply with the requirements of state and local law applicable to the conduct of the business;
 - the business will not be conducted under the license until the requirements of state and local law applicable to the business have been met;
 - the applicant has sent or delivered a form to the chief law enforcement officer where the premises is located notifying the officer that the applicant intends to apply for a license;
 - and
 - secure gun storage or safety devices will be available at any place in which firearms are sold under the license to persons who are not licensees (“secure gun storage or safety device” is defined in 18 U.S.C. 921(a)(34)). [18 U.S.C. 923(d)(1), , 27 CFR 478.47(b)]

Q: Does the Federal Government issue a license or permit to carry a concealed weapon?

No. Neither the ATF nor any other federal agency issues such a permit or license. Carrying permits may be issued by a state or local government.

Q: Do antique firearms fall under the purview of the GCA?

No. However, state and local laws may include antique firearms. Always check relevant state or local laws along with federal laws.

[18 U.S.C. 921(a)(3) and (16), 27 CFR 478.11 and 478.141(d)]



Q: What kinds of ammunition are covered by the GCA?

Ammunition includes cartridge cases, primers, bullets or propellant powder designed for use in any firearm other than an antique firearm.

Items NOT covered include blank ammunition, tear gas ammunition, pellets and nonmetallic shotgun hulls without primers.

Generally, no records are required for ammunition transactions. However, information about the disposition of armor-piercing ammunition is required to be entered into a record by importers, manufacturers, and collectors.

A license is not required for dealers in ammunition only.

[18 U.S.C. 921(a)(17) and 922(b)(5), 27 CFR 478.11 and 478.125]

Q: Does the GCA control the sale of firearms parts?

No, except that frames or receivers of firearms are “firearms” as defined in the law and subject to the same controls as complete firearms. Silencer parts are also firearms under the GCA, as well as under the National Firearms Act (NFA). Certain machine gun parts, such as conversion parts or kits, are also subject to the NFA.

Q: Are black powder dealers required to be licensed as ammunition dealers under the GCA?

No. However, black powder dealers are subject to the provisions of 27 CFR Part 555, Commerce in Explosives, which requires that a dealer in any quantity of black powder must have a license as a dealer.

[18 U.S.C. 842]

Q: Does the GCA prohibit anyone from making a handgun, shotgun or rifle?

With certain exceptions a firearm may be made by a non-licensee provided it is not for sale and the maker is not prohibited from possessing firearms. However, a person is prohibited from assembling a non-sporting semi-automatic rifle or non-sporting shotgun from imported parts. In addition, the making of an NFA firearm requires a tax payment and approval by the ATF. An application to make a machine gun will not be approved unless documentation is submitted showing that the

firearm is being made for a federal or state agency.

[18 U.S.C. 922(o) and (r), 26 U.S.C. 5822, 27 CFR 478.39, 479.62 and 479.105]

UNLICENSED PERSONS

Q: To whom may an unlicensed person transfer firearms under the GCA?

A person may sell a firearm to an unlicensed resident of his state, if he does not know or have reasonable cause to believe the person is prohibited from receiving or possessing firearms under federal law. A person may loan or rent a firearm to a resident of any state for temporary use for lawful sporting purposes, if he does not know or have reasonable cause to believe the person is prohibited from receiving or possessing firearms under federal law. A person may sell or transfer a firearm to a licensee in any state. However, a firearm other than a curio or relic may not be transferred interstate to a licensed collector.

[18 U.S.C. 922(a)(3) and (5), 922(d), 27 CFR 478.29 and 478.30]

Q: From whom may an unlicensed person acquire a firearm under the GCA?

A person may only acquire a firearm within the person's own state, except that he or she may purchase or otherwise acquire a rifle or shotgun, in person, at a licensee's premises in any state, provided the sale complies with state laws applicable in the state of sale and the state where the purchaser resides. A person may borrow or rent a

firearm in any state for temporary use for lawful sporting purposes.

[18 U.S.C. 922(a)(3) and (5), 922(b)(3), 27 CFR 478.29 and 478.30]

Q: May an unlicensed person obtain a firearm from an out-of-state source if the person arranges to obtain the firearm through a licensed dealer in the purchaser's own state?

A person not licensed under the GCA and not prohibited from acquiring firearms may purchase a firearm from an out-of-state source and obtain the firearm if an arrangement is made with a licensed dealer in the purchaser's state of residence for the purchaser to obtain the firearm from the dealer. The out-of-state dealer will ship the firearm to the dealer in the purchaser's home state and the purchaser will pick up the firearm from that dealer.

[18 U.S.C. 922(a)(3) and 922(b)(3)]

Q: May an unlicensed person obtain ammunition from an out-of-state source?

Yes, provided he or she is not a person prohibited from possessing or receiving ammunition.

[18 U.S.C. 922(g) and (n)]

Q: Are there certain persons who cannot legally receive or possess firearms and/or ammunition?

Yes, a person cannot lawfully receive, possess, ship, or transport a firearm who

- has been convicted in any court of a crime punishable by imprisonment for a term exceeding 1 year;
- is a fugitive from justice;
- is an unlawful user of or addicted to any controlled substance; including drugs that may be legal at a state level but still prohibited at the federal level, i.e., marijuana.
- has been adjudicated as a mental defective or has been committed to a mental institution;
- is an alien illegally or unlawfully in the United States or an alien admitted to the United States under a nonimmigrant visa;
- has been discharged from the Armed Forces under dishonorable conditions;
- having been a citizen of the United States, has renounced his or her citizenship;
- is subject to a court order that restrains the person from harassing, stalking, or threatening an intimate partner or child of such intimate partner; or
- has been convicted of a misdemeanor crime of domestic violence or where the underlying offense was one of domestic violence.

A person who is under indictment or information for a crime punishable by imprisonment for a term exceeding 1 year cannot lawfully receive a firearm. Such person may continue to lawfully possess firearms obtained prior to the indictment or information.

[18 U.S.C. 922(g) and (n), 27 CFR 478.32]

Q: Is there anything a person can do who cannot lawfully receive or possess guns?

The GCA provides the Attorney General with the authority to grant relief from this disability where the Attorney General determines that the person is not likely to act in a manner dangerous to the public safety and granting relief would not be contrary to the public interest. The Attorney General delegated this authority to the ATF.

Since October 1992, however, the ATF's annual appropriation has prohibited the expending of any funds to investigate or act upon applications for relief from federal firearms disabilities submitted by individuals. As long as this provision is included in current ATF appropriations, the Bureau cannot act upon applications for relief from federal firearms disabilities submitted by individuals.

[18 U.S.C. 922(g), 922(n) and 925(c)]

Q: Are there any alternatives for relief from firearms disabilities?

A person is not considered convicted for Gun Control Act purposes if he has been pardoned, had his civil rights restored, or the conviction was expunged or set aside, unless the pardon, expungement, or restoration expressly provides the person may not ship, transport, possess, or receive firearms.

Persons convicted of a federal offense may apply for a presidential pardon (28 CFR 1.1-1.10 specify the rules governing petitions for obtaining presidential pardons). You may contact the Pardon Attorney's Office at the U.S. Department of Justice, 500 First Street, N.W., Washington, DC 20530, to inquire about the procedures for obtaining a presidential pardon.



Persons convicted of a state offense may contact the State Attorney General's Office within the state in which they reside and the state of their conviction for information concerning any alternatives that may be available, such as pardons and civil rights restoration.

[18 U.S.C. 921(a)(20) and (a)(33)]

Q: May a person who is relocating out-of-state move firearms with other household goods?

Yes. A person who lawfully possesses a firearm may transport or ship the firearm interstate when changing his or her state of residence. The person must notify the mover that firearms are being transported. He or she should also check state and local laws where he or she is relocating to and from to ensure that the movement of firearms does not violate any state or local law.

NFA firearms must have prior approval from the Bureau of Alcohol, Tobacco, and Firearms before they may be moved interstate. The person must notify the mover

that firearms are being transported. He or she should also check state and local laws where relocating to in order to ensure that movement of firearms into the new state does not violate any state law or local ordinance.

[18 U.S.C. 922(a)(4) and 922(e), 27 CFR 478.28 and 478.31]

Q: May a non-licensee transport firearms interstate for sporting purposes?

Yes, provided the weapon is unloaded and in a locked trunk or, in a vehicle lacking a trunk, in a locked container other than the glove compartment or console. The firearm may be transported for any lawful purpose from any place where the possessor can possess and carry it to any other place where he can possess or carry it.

[18 U.S.C. 926A]

Q: May a non-licensee ship a firearm through the U.S. Postal Service?

A non-licensee may not transfer a firearm to a non-licensed resident of another state. A non-licensee may mail a shotgun or rifle to a resident of his or her own state or to a licensee in any state. The Postal Service recommends that long guns be sent by registered mail and that no marking of any kind which would indicate the nature of the contents be placed on the outside of any parcel containing firearms. **Handguns are not mailable.** A common or contract carrier must be used to ship a handgun.

[18 U.S.C. 1715, 922(a)(3), 922(a)(5) and 922 (a)(2)(A)]

Q: May a non-licensee ship a firearm by common or contract carrier?

A non-licensee may ship a firearm by a common or contract carrier to a resident of his or her own state or to a licensee in any state. A common or contract carrier must be used to ship a handgun. In addition, federal law requires that the carrier be notified that the shipment contains a firearm and prohibits common or contract carriers from requiring or causing any label to be placed on any package indicating that it contains a firearm.

[18 U.S.C. 922(a)(2)(A), 922(a) (3), 922(a)(5) and 922(e), 27 CFR 478.31 and 478.30]

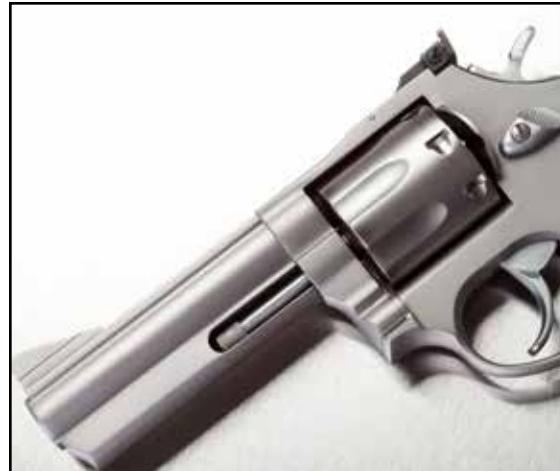


Figure 8: It is illegal to ship a handgun through the mail. A contract carrier must be used to ship a handgun.

Q: May a non-licensee ship firearms interstate for his or her use in hunting or other lawful activity?

Yes. A person may ship a firearm to himself or herself in care of another person in the state where he or she intends to hunt or engage in any other lawful activity. The package should be addressed to the owner. Persons other than the owner should not open the package and take possession of the firearm.

Q: May aliens legally in the United States buy firearms?

An alien legally in the U.S. may acquire firearms if he has a state of residence. An alien has a state of residence only if he is residing in that state with the intention of making a home in that state. Due to a recent change, the residency requirement for aliens legally in the country is the same as for U.S. citizens. However, someone who has entered the country under a non-immigrant visa cannot purchase or possess a firearm unless he meets one of the following exemptions: (1) is in possession of

a hunting license or permit lawfully issued by the federal government, a state or local government, or an Indian tribe federally recognized by the Bureau of Indian Affairs, which is valid and unexpired; (2) was admitted to the United States for lawful hunting or sporting purposes; (3) has received a waiver from the prohibition from the Attorney General of the United States; (4) is an official representative of a foreign government who is accredited to the United States Government or the Government's mission to an international organization having its headquarters in the United States; (5) is en route to or from another country to which that alien is accredited; (6) is an official of a foreign government or a distinguished foreign visitor who has been so designated by the Department of State; or (7) is a foreign law enforcement officer of a friendly foreign government entering the United States on official law enforcement business.

[18 U.S.C. 921, 922(b)(3), (d) and (g), 27 CFR 478.11 and 478.99(a)]

Q: May a parent or guardian purchase firearms or ammunition as a gift for a juvenile (less than 18 years of age)?

Yes. However, possession of handguns by juveniles (less than 18 years of age) is generally unlawful. Juveniles generally may only receive and possess handguns with the written permission of a parent or guardian for limited purposes, e.g., employment, ranching, farming, target practice, hunting or a course of instruction in the safe and lawful use of a handgun.

[18 U.S.C. 922(x)]

FIREARMS TRANSACTION RECORD

Q: Where can a dealer get ATF Form 4473?

They are available free of charge from the ATF Distribution Center. Please order a quantity of forms estimated for 6 months use. They can be ordered online or by telephone at 202-648-6420.

Q: Does an unlicensed person need an ATF Form 4473 to transfer a firearm?

No. ATF Form 4473 is required only for transfers by a licensee.

[27 CFR 478.124]

Q: Does a dealer have to execute ATF Form 4473 to take a weapon out of the dealer's inventory for his or her own use?

No. However, the "bound book" must reflect the disposition of the firearm from business inventory to personal use.

However, if the business is a corporation, and the firearm is being transferred to a corporate officer or director for other than business purposes, then a Form 4473 must be executed.

[27 CFR 478.124 and 478.125a]

Q: Who signs ATF Form 4473 for the seller?

ATF Form 4473 must be signed by the person who verified the identity of the buyer.

Q: Is a Social Security card a proper means of identification for purchasing a firearm from an FFL?

No. A Social Security card, alien registration card, or military identification alone does not contain sufficient information to identify a firearms purchaser. However, a purchaser may be identified by any combination of government-issued documents which together establish all of the required information: name, residence address, date of birth, and photograph of the holder.

[27 CFR 478.11 and 478.124(c)]

Q: When must the ATF Form 4473 be signed?

Part I used for over-the-counter sales must be completed, signed and dated by the buyer prior to delivery of the firearm.

Part II (green form) used for intra-state non-over-the-counter sales must be completed, signed and dated in duplicate by the buyer before it is sent to the purchaser's Chief Law Enforcement Officer.

[27 CFR 478.124(c) and 478.124(f)]

REQUIRED RECORDS

Q: What is a "bound book?"

A "bound book" is a permanently bound book or an orderly arrangement of loose-leaf pages which must be maintained on the business premises. The format must follow that prescribed in the regulations, and the pages must be numbered consecutively.

[27 CFR 478.121 and 478.125]

Q: May a dealer keep more than one bound book at the same time?

Yes. A dealer in firearms is not limited to using only one bound book. It may be convenient for a dealer to account for different brands or types of firearms in separate bound books.

Q: Does the Government sell a record book for licensees to use in recording their receipts and dispositions of firearms?

No. Certain trade associations have them available at nominal cost. Your supplier should be able to tell you about this. Brownells, Inc. is one supplier who furnishes such recordkeeping books.

Q: What is the dealer's responsibility where a variance from normal regulatory practice has been authorized?

The ATF letter authorizing the variance must be kept at the licensed premises and available for inspection. For businesses with more than a single licensed outlet, each outlet covered by the variance must have a copy of the letter authorizing the change.

[27 CFR 478.22 and 478.125(h)]

Q: How much time does a dealer have to record acquisitions and dispositions of firearms in his or her bound book?

Generally, licensees have to enter the acquisition or purchase of a firearm by the close of the next business day after the acquisition or purchase and shall record sales or other dispositions within 7 days.

However, if commercial records containing the required information are available for inspection and are separate from other

commercial documents, dealers have 7 days from the time of receipt to record the receipt in the bound book.

If a disposition is made before the acquisition has been entered in the bound book, the acquisition entry must be made at the same time as the disposition entry.

[27 CFR 478.125]

Q: Are the ammunition record-keeping requirements the same as for firearms?

No. No records are required for ammunition other than armor-piercing ammunition. Disposition records must be kept by licensed manufacturers, importers, and collectors for transactions in armor piercing ammunition.

[27 CFR 178.125]

Q: Are rental firearms subject to recordkeeping control?

Yes, if the firearms are taken off the premises of the licensee. However, the record-keeping is not imposed on the loan or rental of firearms for use only on the premises of the licensee.

[27 CFR 478.97]



Q: May a licensee who has firearms in his or her private collection sell any of these firearms without making firearms record entries?

A licensee may sell a firearm from his or her personal collection, subject only to the restrictions on firearm sales by unlicensed persons, provided the firearm was entered in the licensee's bound book and then transferred to the licensee's private collection at least 1 year prior to the sale. When the personal firearm is sold, the sale must be recorded in a bound book for dispositions of personal firearms, but no ATF Form 4473 is required. This is another place where a licensee must be very careful that state and federal law agree. Also, a licensee must be able to prove that the firearm was in his personal collection for at least one year before it was sold without a Form 4473.

[27 CFR 478.125a]

P.O. Box listed on the application form with the appropriate renewal fee.

If a person does not timely file a license renewal application and the license expires, the person must file ATF Form 7 (5310.12), Application for License, or an ATF Form 7CR (5310.16), Application for License (Collector of Curios or Relics), as required by 27 CFR 478.44, submit the application fee applicable to a new business, and obtain the required license before continuing business activity.

[27 CFR 478.45]

Q: May a licensed gunsmith receive an NFA firearm for purposes of repair?

Yes, for the sole purpose of repair and subsequent return to its owner. It is suggested that the owner obtain permission from the ATF for the transfer by completing and mailing ATF Form 5 (5320.5) to the NFA branch and receiving approval prior to the delivery. The gunsmith should do the same prior to returning the firearm.

Only the face of the form needs to be completed in each instance. ATF Form 5 may be obtained from the Bureau of Alcohol, Tobacco, and Firearms, NFA Branch. ATF Form 5 is also available on the internet at www.atf.gov.

ADDITIONAL QUESTIONS

Q: If a person timely files an application for renewal of a license and the present license expires prior to receipt of the new license, may the person continue to conduct the business covered by the expired license?

Yes. A person who timely files an application for renewal of a license may continue operations authorized by the expired license until the application is finally acted upon. An application is timely filed when it is received accurate and complete at the

SDI is grateful to Firearms Industry Consulting Group for editing the gun law information provided in this section.

Firearms Industry Consulting Group (FICG), a division of Prince Law Offices, P.C., is a firearms industry specific group of attorneys and consultants dedicated to the protection of the 2nd Amendment of the U.S. Constitution in all aspects of firearms law. Handling issues from incorporation, using in-house generated firearms industry specific documents to ensure the utmost protection of our clients, to warning conferences, revocations and other issues with the Bureau of Alcohol, Tobacco, Firearms and Explosives, FICG is proud to boast a national, and now even international, reputation in the industry. In providing the best protection and advice for its clients, FICG also employs retired ATF firearms and explosives consultants, such as Howard Wolfe, for conducting mock compliance checks and for consultation on other legal issues. The driving force behind FICG is Attorney Joshua Prince, who has garnered a national reputation for protection of the 2nd Amendment and, within Pennsylvania, Article 1, Section 21 of the PA Constitution.

NOTES

NOTES

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Setting Up Your Own Business

THE IMPORTANCE OF A GOOD START

To get your business started, you will need a product or service to sell as well as market research and financial planning. The primary cause for most new business failure is poor planning and insufficient research. This lesson will give you the information you need to plan your business properly so you can get off to a strong start. To be successful in your new business, you will need to carefully calculate how to make the business not only survive but also

thrive. In addition to market research and financial planning, you will need a positive attitude, confidence, and a strong belief in yourself and your abilities. Think about it: What do successful people have in common? They are motivated, enthusiastic, and self-confident. If you do not believe in your abilities, no one else will. If you believe in your abilities, it will show, and you will inspire confidence in others.

WHAT DOES AND DOES NOT WORK — TIPS FROM PEOPLE WHO KNOW

Since many businesses fail because of inadequate financing, the Small Business Administration (SBA) advises you to start your venture with enough capital to get you through the first year. With luck, you will start earning an income before then, but you will need cash reserves. If you can afford to finance the business yourself, you should.

You may want to set up your own business slowly. If you start small, you will not take on the financial burden that bogs down many small businesses. Start with one or two clients while you are still working full-time. Then when you are ready to go full force, you will have a base from which to start. This really works!

Another good way to get started is to use a part-time job to provide supplemental income to your new business. When your business income equals the income from your part-time job, it is time to quit the job. Temporary work can also provide steady income while you are getting started and put you in contact with potential clients.

According to successful entrepreneurs, to be successful in your business you should endeavor to do the following:

1. Spend 6-10 months researching the market and setting up the business.
2. Plan financial strategies and maintain accurate records.
3. Market your business continually and consistently.
4. Create a niche in the market for your service or product.
5. Always appear confident and competent.
6. Show your clients that you are serious about your work and eager to please.
7. Be flexible, particularly during unexpected crises.
8. Enjoy your new vocation so thoroughly that it gets you through tough times.

NAMING YOUR BUSINESS

Selecting a name for your business is a task you should take seriously. Your business name will be with you for years. Once you have built a reputation, it will be hard to change your name without losing customers. Here are some guidelines to consider when selecting a business name.

1. Your business name should describe your service. The public should instantly know what service you provide just by looking at your name.



2. Names beginning with the first letters in the alphabet have a distinct advantage over others because they have prime positions in directories and phone books.
3. Using your own name in the business may harm your family if you are forced into bankruptcy.
4. Your business name should be easy to pronounce, easy to remember, and easy to spell. If it is not, your word-of-mouth advertising will suffer.

With these guidelines in mind, make a list of names that appeal to you. Ask your friends and relatives to help you brainstorm. Once you have a list, look in a dictionary or thesaurus to find synonyms. Aim for combinations that are short and snappy. Once you decide on a name, register it with the county clerk's office to find out if anyone else is using it. If anyone is, you will have to come up with another.

Expense Budget

[Company Name]

[Month and Year]

Personnel	Budget	Actual	Difference (\$)	Difference (%)
Office			\$-	0.0%
Store			-	0.0%
Salespeople			-	0.0%
Others			-	0.0%
Operating	Budget	Actual	Difference (\$)	Difference (%)
Advertising			\$-	0.0%
Bad debts			-	0.0%
Cash discounts			-	0.0%
Delivery costs			-	0.0%
Depreciation			-	0.0%
Dues and subscriptions			-	0.0%
Employee benefits			-	0.0%
Insurance			-	0.0%
Interest			-	0.0%
Legal and auditing			-	0.0%
Maintenance and repairs			-	0.0%
Office supplies			-	0.0%
Postage			-	0.0%
Rent or mortgage			-	0.0%
Sales expenses			-	0.0%
Shipping and storage			-	0.0%
Supplies			-	0.0%
Taxes			-	0.0%
Telephone			-	0.0%
Utilities			-	0.0%
Other			-	0.0%
Total Expenses	Budget	Actual	Difference (\$)	Difference (%)
	\$-	\$-	\$-	0.0%

Figure 1: Example of operating budget worksheet.

Setting Up an Operating Budget

Starting any business costs money. If you do not have enough money to pay your expenses and your salary, your business will fail. One way to avoid this problem is to prepare a first-year operating budget. Figure 1 shows an example of a simple operating budget worksheet you can find online for free to create yourself.

START-UP COSTS

Going into business for yourself means that you will have certain start-up (one-time) costs that you must plan for. To estimate these start-up costs, list the items you will need to start your business. Here are some suggestions:

- Computer & software
- Telephone answering system and/or cell phone
- Desk and chair
- Bookcase or shelving
- Filing cabinet
- Tools needed to run your business

Now, estimate the cost of each item on your list. This step may require some research. For instance, to estimate the cost of your office furnishings, you might look in an office furniture catalog. Enter your estimate for each item on a first-year operating budget log.

OPERATING EXPENSES

In addition to start-up expenses, your first year's budget must include ongoing operating expenses. Here are some items you may want to include:

- Advertising
- Your salary
- Insurance
- Utilities
- Rent
- Office supplies: paper clips, pens, pencils, etc.
- Association dues
- Business cards
- File folders
- Printing and design costs for business cards and office stationery
- Licenses and permits
- Backup fund (20 percent of total budget)

Enter your estimated operating expenses in the budget, and calculate your total projected first-year operating budget. Look at your total. Does the amount surprise you?

Do you have that much money put away? Of course, the cash you need does not have to come from your own bank account — you can borrow money. But the less you borrow, the more secure your business venture will be.

SETTING UP A BUSINESS BANK ACCOUNT

Although a business account costs more than an individual checking or savings account, it is a good idea to separate your private and business funds. One advantage of a separate business account is that you can use your statement and checks to keep a record of expenses. Another benefit is that the checks can be printed with your business name and logo.

In order to open a commercial account, banks require you to present various types of documentation specific to the type of business entity you have chosen to form. Contact your local county clerk's office to find out how to obtain the correct documentation for your business.

FINANCING YOUR BUSINESS

As stated earlier, if you can afford to finance the business yourself, you should. Even if you can only afford to finance half of it, you are still ahead of the game. The most common ways to finance a new business are by financing with your own money, using credit cards, borrowing from family and friends, and borrowing from a bank.

Self-Financing. Self-financing means you save the money and finance your business yourself. Because saving all the money you need can take a long time, it might be easier to begin part-time. Then as your business grows, you can put your profits back into the business and grow slowly. The advantage of financing your own business is that you are in total control and you do not have to answer to anyone else.

Using Credit Cards. Some people use credit cards to help finance their new businesses. If you decide to try this, use your credit card exclusively for business expenses. Never mix personal and business expenses. Pay your credit card balance as soon as possible because interest rates

for credit cards are often high. If you establish good credit on a credit card, it may help you later if you want to apply to that same bank for a loan to expand your business.

Borrowing From Family and Friends. If you have a good track record, your friends and relatives may be willing to invest in your business. You can offer to pay them interest or a percentage of your profits until you have repaid the loan. If you choose to use this method, make sure you have a business plan to show your lenders. Avoid letting them have a say in your business decisions. Structure the deal just as if they were bankers lending you money in exchange for a good return on their investment. To assure them that you will repay the loan, put the terms in writing and include penalties. Family and friends may be the perfect source for loan money to start your business, but remember, if your business fails, it could mean the end of your relationship.

Borrowing From a Bank. You can also finance your business with a bank loan. Unfortunately, it is often easier to get a loan to remodel your house or to buy a new car than it is to get one to start a business. Many banks do not want to lend money to a new business because of the historically high failure rate. Those that do often charge exceptionally high interest rates. Although commercial lenders have been reluctant to lend to small start-up businesses in the past, this is changing. However, be prepared to demonstrate your long-term business strategy and your current financial status. You have a better chance of getting a loan if you have already raised some of the money yourself. Many lenders expect you to finance at least 50 percent of your business.

If you decide to apply for a bank loan, you may contact the Small Business Association (SBA) for a list of banks in your area that participate in small business loan programs. Other public sources of funding partially sponsored by

the SBA include Small Business Investment Companies (SBICB) and Minority Enterprise Small Business Investment Companies (MESBICs). More than 400 SBICs throughout the country provide loans and management assistance to fledgling businesses. If you live in a rural area, the Farmers Home Administration, part of the U.S. Department of Agriculture, loans money through local banks. The Commerce Department also offers loans through regional Economic Development Administrations in cities with high unemployment.

To help develop the information that a bank or other sources of funding would be looking for when considering your loan request, contact your local Service Corps of Retired Executives (SCORE).

ANTICIPATING AND AVOIDING CASH-FLOW PROBLEMS

Cash flow is simply cash that comes in and cash that goes out of a business. Cash-flow problems arise when more cash goes out than comes in. Often a business pays up front for its supplies but waits weeks or months to be paid by its clients. This situation can lead to serious cash-flow problems. To avoid this, establish billing and payment policies that do not leave you short of cash. One simple way to do this is to minimize what others owe you.

Billing Policies. Under a standard billing policy, customers must pay within 30 days of receipt to avoid paying interest. This is called net 30 billing. To motivate your clients to pay sooner, offer a discount for bills paid in less than 30 days. For example, 5 percent 10 net 30 means the customer gets a 5 percent discount if the invoice is paid within 10 days, otherwise the balance is due in 30 days (Figure 2).

While it is not always feasible, try to get deposits, retainers, and partial payments from your clients when you begin a project. If you anticipate buying materials, you can request an

advance to pay for those expenses. This way, you have at least part of the total fee for the project and a hedge against the cash squeeze.

Payment Policies. Make the most of the cash you have on hand by charging business expenses and then paying the charge bills on time, but not early. And, of course, deposit your earnings in an interest-bearing checking account. In addition, ask suppliers for interest-free credit. After you have established a dependable credit history, they may be willing to set up such an arrangement.

Another way to avoid cash-flow problems is to keep a cash reserve. As you already know, it is a good idea to have enough money saved in an interest-bearing account to cover your business costs for at least a year. It makes sense to establish some financial goals, such as how much you hope to make in the first year. Setting a goal helps you keep your budget strategy realistic and on target.

INVOICE					
INVOICE # [100] DATE: OCTOBER 9, 2011					
Your company Name <small>[Your Company Slogan]</small>					
<small>[Street Address] [City, ST ZIP Code] Phone [509.555.0190] Fax [509.555.0191]</small>					
TO: <small>[Name] [Company Name] [Street Address] [City, ST ZIP Code] [Phone]</small>					
SHIP TO: <small>[Name] [Company Name] [Street Address] [City, ST ZIP Code] [Phone]</small>					
COMMENTS OR SPECIAL INSTRUCTIONS:					
SALESPERSON	P.O. NUMBER	REQUISITIONER	SHIPPED VIA	F.O.B. POINT	TERMS
QUANTITY	DESCRIPTION	UNIT PRICE	TOTAL		
			SUBTOTAL		
			SALES TAX		
			SHIPPING & HANDLING		
			TOTAL DUE		
<small>Make all checks payable to [Your Company Name] Terms: 10 NET 30 If you have any questions concerning this invoice, contact: [Name, phone number, e-mail] Thank you for your business!</small>					

Figure 2: By indicating your terms on your invoice clearly, the customer knows when payment is expected and can be motivated to pay early by offering a discount.

Accepting Credit And Debit Card Payments

While other card processors have walked away from the firearms/shooting sports industry,

Payment Alliance International (PAI) has embraced it. *Payment Alliance International* can help you get set up to accept convenient forms of payment, including Visa, MasterCard, and Discover, all at wholesale rates. Their Shooting Sports Payment Package, as negotiated by the NRA and NSSF, ensures that new gun merchants not only get the best rates but also the best terms, including no monthly minimums, no early termination fees, and no low startup fees.

PAI was the first to create a complete Shooting Sports Payments Package and will process credit and debit cards in a storefront, wireless, or ecommerce environment. They work with over 1,000 FFLs and industry professionals and offer a wide variety of payment solutions to meet your individual needs.

Under the Shooting Sports Payments Package, Payment Alliance International offers the guaranteed lowest price point, and a portion of every card transaction is donated to the National Shooting Sports Foundation or the NRA (www.gopai.com/shooting).



Figure 3: Payment Alliance International can help your business accept credit card payments.

Insuring Your Business

Because your business is a considerable investment of time and money, you should carry insurance to protect yourself in case of fire, theft, or lawsuit. Your insurance should give you enough money to start over if you need to. Visit an insurance agent and discuss your needs. It is a good idea to visit more than one agent to compare the coverage and the cost of various programs.

WHAT COVERAGE DOES YOUR BUSINESS NEED?

To find insurance that fits your needs, start by identifying your business's risks. Consider legal issues, risk factors, and potential losses. It makes sense to work with an insurance broker who sells several different policies and has a broad knowledge of the industry. But do not overlook independent agents, because some insurance companies will only sell policies through them. To get the best price, you may want to take out several policies from different insurance companies, although you may get a discount if you use one company for all your insurance needs.

Before deciding on an insurance program, compare prices and coverage. Many insurance companies offer lower rates for preventive measures such as burglary and smoke alarms. But these preventions may cost more than you would save with reduced premiums. The insurance market is competitive, so shop around to get the most appropriate and affordable policy. When you do settle on a policy, be sure to describe precisely and record all assets and their values.

For an additional cost, a replacement-value insurance policy pays for replacement of any damaged or destroyed item, regardless of its age. A regular policy only pays you the value of your damaged possessions after depreciation. This means that a 10-year-old desk you paid \$500 for could be worth only \$50 after depreciation.

Comprehensive Liability Coverage. Although the cost of liability insurance has skyrocketed in recent years, it may be worth getting. Liability insurance generally covers accidental injury, damage to another person's property, and accusations of libel or slander. The policies should cover accidents that happen on business premises or while using business property such as an automobile. As a sole owner of the business with no employees, you might not need liability coverage. However, as your business grows and you add employees, you are likely to need liability insurance.

Worker's Compensation Insurance. Worker's compensation insurance reimburses employees who cannot work because of injury suffered on the job. Most states require employers to carry worker's compensation insurance.

Fire and Interruption-of-Service Insurance. There are a variety of policies to cover losses from fire. A blanket policy offers comprehensive protection for damage from a range of sources—lightning, hail, wind, explosion, arson, smoke damage, and sprinkler leakage. Other policies only cover the burned building. Interruption-of-service insurance compensates you for business income lost due to illness, fire, or theft. Premiums are usually low, so it is affordable protection. Some policies include this coverage, while others require you to purchase extra coverage.

Burglary Insurance. Because the definition of burglary ranges from policy to policy, it is critical to choose a policy that fits the particular

needs of your business. Your most expensive equipment should be fully covered.

Natural Disaster Exclusions. Most insurance companies do not cover damage from “acts of God” such as hurricanes, tornadoes, floods, and hail. Although there are a few companies that do offer natural disaster coverage, the federal government usually compensates for such damage in the form of disaster relief funds and loans.

In addition to private insurance companies, the federal government also offers fire and theft insurance. Find out the details by writing to the following:

Federal Crime Insurance
P.O. Box 41033
Washington, DC 20014

WHAT COVERAGE DOES A SELF-EMPLOYED PERSON NEED?

Health Insurance. When you work for yourself, you no longer have the luxury of employer-paid health insurance. To protect yourself financially, never go without health insurance. Under the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1986, an employee who leaves a job is entitled to remain with the company's group healthcare coverage for 18 months after leaving. This is an excellent way to insure yourself while you shop around for another policy.

To take advantage of lower group rates, you can join a professional association with a group insurance policy. Some associations offer HMO coverage and other health plan options. Choose

a plan based on your healthcare needs. If you do not visit the doctor often, you may opt for coverage limited to hospitalization. You should also consider whether you need coverage for your family. Many plans cover spouse's insurance needs, so you may not need an additional plan.

Disability Insurance. Although you may be covered for medical treatment, you could be in trouble if an illness forces you out of work, particularly if you are single and without any other income. Take out as much disability insurance as you can afford, because your operating costs will continue even if your income does not. If you have expensive overhead, look into BOE (business overhead expense) insurance to cover your operating expenses while you are out of commission. Although policies vary, basic plans based on the amount of revenue you earn cover your office and employee expenses.

Life Insurance. An unmarried entrepreneur with no children is unlikely to need life insurance. Even so, you may want to consider it because as the owner of a small business, if you die, the entire operation probably will collapse.

Partnership Insurance. If you have a business partner and your partner dies, partnership insurance covers his or her share of the business as a property asset. However, when a partner dies, the partnership is legally dissolved. With insurance, someone can inherit the partner's share, the share can be “bought out,” or a new partnership can be formed. In many cases, the deceased partner's shares are bought by the original partner in order to prevent outsiders from buying in. Adequate insurance provides the cash to do this and can prevent liquidation of the business.

Licenses and Permits

Whenever anyone starts a company, the government wants to know about it. The government wants to make sure the business complies with the laws that protect businesses and customers, and the government wants its fair share of taxes.

In this section, we will look at the common laws and regulations you must comply with when you establish and operate a business. Remember, regulations vary from state to state and city to city, and they change frequently. Contact your state and local government to get the exact information that applies to your business. Most local governments publish useful guides that

tell you everything you need to know to establish a business.

Business Licenses. Just as every driver must have a license to drive a car, in most states every business must have a license to operate legally. Business licenses and permits are issued by local city or county governments. The fees range from a few dollars to several hundred dollars. The exact cost usually depends on two things: the type of business you have and how much gross income you make in a year. Gross income is how much your business receives in income before you deduct expenses and taxes.

State Licensing. Some business owners must also be licensed by the state or by the federal government. Common examples of these include doctors, attorneys, and certified public accountants. If your profession requires a state license, your local city or county office will let

JT-1/UC-001 (7/11)



ARIZONA JOINT TAX APPLICATION

IMPORTANT: Incomplete applications WILL NOT BE PROCESSED. All required information is designated with asterisk *

To complete this application see attached instructions. Please return Complete application with appropriate license fee(s) to: License & Registration Section, Department of Revenue, PO BOX 29032, Phoenix AZ 85038-9032.

**To complete this online,
go to www.aztaxes.gov**

Section A: Taxpayer Information (Print legibly or type the information on this application.)		
1. License Type (Check all that apply) *	2. Type of Ownership *	
<input type="checkbox"/> Transaction Privilege Tax (TPT) <input type="checkbox"/> Withholding/Unemployment Tax (if hiring employees) <input type="checkbox"/> Use Tax <input type="checkbox"/> TPT For Cities ONLY	<input type="checkbox"/> Individual / Sole Proprietorship <input type="checkbox"/> Partnership <input type="checkbox"/> Professional Limited Liability <input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Limited Liability Partnership <input type="checkbox"/> Corporation	<input type="checkbox"/> Sub-Chapter S Corporation <input type="checkbox"/> Association <input type="checkbox"/> Trust <input type="checkbox"/> Government <input type="checkbox"/> Estate <input type="checkbox"/> Joint Venture <input type="checkbox"/> Receivership
3. Federal Employer Identification Number (Required for Employers and Entities other than Sole Proprietors) or Social Security Number *	State of Inc. _____ Date of Inc. _____ Tax exempt organizations must attach a copy of the Internal Revenue Service letter of determination.	
4. Legal Business Name / Owner / Employing Unit *		
5. Business or "Doing Business As" Name *	6. Business Phone Number *	7. Fax Number
8. Mailing Address (Street, City, State, ZIP code) *	9. Country	
10. Email Address	11. Is your business located on an Indian Reservation? <input type="checkbox"/> Yes If yes, _____ (See Section G for listing of Reservations) <input type="checkbox"/> No	
12. Physical Location of Business (Street, City, State, ZIP code) Do not use PO Box or Route No. *	13. County	

For additional business locations, complete Section B-12

Figure 4: Sample joint tax application. Each municipality varies so be sure to contact your Small Business Administration or County Clerk to make sure you file the correct documents.

you know. Most state licenses have education and training prerequisites, and most require a written examination.

Seller's Permit. If a business sells products to the public, it must have a seller's permit, also known as a resale certificate. The seller's permit enables a business to buy products at wholesale prices to resell at retail prices to customers without paying sales tax to the wholesale vendor. When you sell products to your customers, you collect sales taxes from them. A seller's permit ensures that the government collects its sales tax only once for the product — not twice.

To obtain a seller's permit, contact your state office of taxation. If you have any doubts about whether you are selling a service or a product, talk to the state office and describe your business. They will advise you on what to do. Your city and county government can tell you which state office to call.

REGULATIONS CHECKLIST

Here is a checklist to help you remember everything you need to do to start your business legally:

- Get a business name
- Check state licensing requirements
- Check zoning regulations and restrictions
- Apply for seller's permit or resale certificate (if applicable)
- Register your business name.



Zoning and the Home Business

Zoning is a method of dividing a geographic area into different uses. The reason for zoning is simple: people want to live in quiet residential neighborhoods, not next to noisy factories or job sites. In addition, business owners prefer to sell their products in locations that attract customers. If you plan on opening a home-based business, zoning is an important consideration.

There are four basic zoning classifications: *residential*, *commercial*, *industrial*, and *agricultural*. Zoning laws are passed by each community and are enforced by the community's zoning boards. The laws vary widely. Most communities allow home businesses to operate in residential zones. However, some do not. Those that do operate in residential zones have limitations and restrictions.

How to Get a Zoning Permit. Zoning regulations are created at the city or county level of government. To get information about zoning, contact your local planning department or zoning administration. In most areas, when you apply for a business license, the office will ask you whether you are starting a home business and how to comply with zoning laws.

Homeowner (HOA) and Condominium (COA) Association Rules. Many homeowner and condominium associations prohibit home businesses. The primary reason for this is to restrict any activity which would generate excessive noise, traffic, parking, or contribute to the deterioration of property and property values. These rules are often included in the deed to the property or may be obtained by contacting either a board member of the association or the management company that oversees compliance

COUNTY
DEPARTMENT OF COMMUNITY PLANNING, HOUSING AND
DEVELOPMENT — ZONING ADMINISTRATION

ACKNOWLEDGMENT AND AGREEMENT TO COMPLY WITH THE CONDITIONS OF A HOME OCCUPATION

(please print)

Applicant _____ Phone No. _____

Address _____ City, State, Zip _____

Proposed Home Occupation _____
(Uses permitted and uses not permitted as home occupations are listed in Section 31, Subsections A-12a and A-12b, of the Zoning Ordinance.)

CONDITIONS

1. A home occupation shall be conducted in or from a residential dwelling or its accessory building by persons whose principal residence is on the premises. The home occupation shall have no more effect on adjacent property than normal residential use.
2. No employees, other than persons legally residing on the premises, shall report to work at a residential location (subject premises) other than work or job site.
3. Not more than one (1) commercial vehicle having a capacity not greater than one (1) ton shall be parked on the property. Said vehicle must be parked to the rear of the rear line of the dwelling or, in the case of an apartment development, in an approved off-street parking area.
4. No contracting equipment or materials shall be stored on the premises, except in a commercial vehicle used for transporting said equipment and materials between jobs. No loading or unloading shall be done on or in the vicinity of the premises.
5. There shall be no evidence on the exterior of the premises or visible from the exterior of the premises that the property is used in any way other than for a dwelling.
6. There shall be no signs.
7. There shall be no outside display, storage or sale of merchandise or equipment.
8. There shall be no audible noise, detectable vibration or odor beyond the confines of the subject dwelling or accessory building, including transmittal through vertical or horizontal party walls.
9. There shall be no on-site employment or use of labor from persons who are not bona fide residents of the dwelling.
10. Instruction of students (including delivery of materials clearly incidental to training) and service to clients or customers shall be limited to twelve (12) persons per day but in no event more than four (4) persons at any one time.
11. The total floor area on the premises to be used for a home occupation shall not exceed a figure calculated by taking twenty-five percent (25%) of the total floor area of the principal dwelling on the premises excluding attached garages. No more than two percent (2%) of the total floor area of the principal dwelling or a maximum of twenty (20) cubic feet, whichever is less, shall be used for specified storage of stock in trade. The storage of hazardous materials is prohibited. (Storage of specified stock in trade over two percent (2%) but not more than five percent (5%) of the total floor area of the principal dwelling on the premises (excluding attached garages) or forty (40) cubic feet, which ever is less, may be permitted in association with home occupation uses as special exceptions subject to securing a Use Permit as provided for in Section 36.G and subject to all limitations stated herein.
12. There shall be no stocks in trade displayed or sold on the premises except for those produced at the premises.
13. There shall be no parking spaces added to the premises during the time the home occupation is being conducted nor shall any parking space be used that was not customarily used prior to that time. No motor vehicle shall be parked at any place on the lot or property not represented as a parking space on the sketch attached to this acknowledgement.
14. No equipment may be used on the premises other than that which is usual for purely domestic or hobby purposes, or what is usual for a small business, professional, or medical office.

CERTIFICATION

I certify that I am the bona fide resident of the premises identified above; I have read and understand the above conditions; and I can and will comply with each condition without exception. I further certify all of the information is complete and correct to the best of my knowledge and belief.

Figure 5: Although most communities allow home businesses, there are often restrictions and limitations as shown in this sample zoning form.

and administration. It is important to check the ownership agreement carefully before you start a business in your home. If you are renting, it is necessary to contact the landlord for permission to run a business from their property in addition to securing any HOA or COA regulations.

WORKING WITH ZONING RESTRICTIONS

What can you do if your home is not zoned for business? You can either adjust your business or get around the rules by securing a use permit or a variance.

Adjusting Your Business. The first option is simply to adjust your business to comply with restrictions. For example, if you are prohibited from selling retail products, you can use direct mail or hire a sales representative. If manufacturing is involved, you can subcontract the work to another company. If the restriction is as simple as no parking or limited parking for visiting clients, you can arrange to meet clients in their offices, or sign a parking space disclosure form.

Use Permits and Variances. Another option is to get a special exception to the rules. A use permit allows certain businesses to operate in areas that are not zoned for that type of business. These uses fall under special exceptions that zoning ordinances take into account. In other words, they are exceptions that communities anticipated when they wrote the regulations.

A variance, on the other hand, is a request for an exception to the rules. The community does not expect it or plan for it. A variance is granted by a zoning board or similar group and requires you

to submit an application and make your case at a public hearing. You may be able to get a variance if you can prove each of the following:

1. That your business will not harm the neighborhood.
2. That prohibiting your business would deprive you of making a living.
3. That your business is professional.

Before you apply for a variance, it is a good idea to talk to a lawyer. Zoning boards do not like to grant variances, so you must be prepared to make a convincing case.

STATE AND FEDERAL REGULATIONS

A wide variety of laws regulate trade at the state and federal levels. These laws are designed to protect both businesses and consumers. The government regulates credit practices, employee rights, occupational health and safety — every conceivable aspect of business.

As a small business owner, you will not have to worry about many of the regulations that control business activity. But remember, it is up to you to know which laws apply to your business. The government will not send any officials to your door to explain the regulations.

For more information, talk to your city or county office. They will tell you what you need to know and where to get more information. You can also contact your state government or the Federal Trade Commission.

Choosing Your Business Structure

If you are going into business, you should become familiar with legally recognized business structures and decide which is best for you. For most businesses, the main choices are a sole proprietorship, a partnership, limited liability company or a corporation. While most one-person businesses are sole proprietorships, this form of business has the most risk.

Each business structure has advantages and disadvantages. If you do not choose — that is, if you do nothing — you will automatically be a sole proprietor in the eyes of the law. If you go into business with two of your friends and do not put the relationship in writing, you will be considered a partnership. The limited liability company and corporation require formal legal action to establish. You must contact an attorney or utilize an online legal document preparation service such as LegalZoom.

SOLE PROPRIETORSHIP

A *sole proprietorship* is the simplest business entity. In legal terms, you and your business are one and the same. The sole proprietorship is the easiest and least expensive business structure to set up. All you need to do is follow the steps outlined in this lesson and you are in business.

The sole proprietor is subject to very few regulations or legal requirements. You do not have to report to anyone else and no one reports to you. In every sense of the word, you are your own boss.

Tax Consequences. The tax consequences of being a sole proprietor are simple. Since you are the business, your net business income is reported on your personal income tax return, and you pay regular income taxes on it as an individual. *Net business income* is what is left over

after you deduct business expenses from your gross income, which is the actual amount of money you receive.

Liability. Since you are the only person responsible for your business, you are also the only person responsible for any of its obligations. This is known as *unlimited personal liability*. Personal liability can be a serious disadvantage of sole proprietorships, depending upon the type of business you are in.

For example, say you order \$10,000 worth of supplies. Unfortunately, business slows down and you do not make enough money to pay for the supplies. As a sole proprietor, you are personally liable for the entire amount, even if you have to pay back the money by selling your car or by getting a personal loan.

Transfer of Interest. Since a sole proprietorship is no more or less than its owner, it lives and dies with you. That means if you die or become incapacitated in some way, your business ceases to operate. Also, relationships between your business and your creditors, customers, and employees can be difficult to untangle. Finally, it is not easy to transfer legal ownership of a sole proprietorship to your children or to anyone else you might choose.

PARTNERSHIP

A *partnership* is an association of two or more people who run a business for profit. A partnership is an opportunity to team up with others. Partnerships with two or more partners who have roughly equal status are sometimes called *general partnerships*.

Partnerships are legally recognized business entities, even if the partners do not draw up a written partnership agreement. Of course, it is a good idea to draft a partnership agreement if you are considering forming a partnership. Except for the agreement, a partnership is as easy to set up as a sole proprietorship. There are minimal reporting requirements.

Tax Consequences. Like a sole proprietorship, a partnership is a tax reporter, not a taxpayer. That is, any income you receive from a partnership is reported on your personal income tax return and taxed as regular income, just like in a sole proprietorship. Each partner can deduct his or her share of losses for that year from income earned from other sources.

Liability. Unlike a sole proprietorship, a partnership has more complicated liability arrangements. Not only do you have unlimited personal liability, but your partners do too. For example, each partner is liable for all the partnership debts. The result? Well, if you are 50-50 partners with your friend and your friend skips town to avoid a debt, you are stuck with 100 percent of the debt.

In a partnership, each partner is an agent of all the other partners. That means each partner can bind the other partners in a contract. That is why it is vital to have clear agreements that state exactly who is responsible for what.

Transfer of Interest. As an individual partner, it is not difficult to transfer your interest in a partnership or to be bought out by your fellow partners. But in such circumstances, the partnership agreement must be rewritten. And if the partnership owns property, it is hard to separate each partner's share or to transfer the entire partnership to other partners.



LIMITED LIABILITY COMPANY (LLC)

A *Limited Liability Company* (LLC) is a unique business structure that combines features from both the corporation and partnership models, while providing businesses with several taxation and management options. An LLC is allowed by state statute and therefore each state may use different regulations. If you are interested in starting a Limited Liability Company, you will need to check with your state to determine requirements and federal tax regulations. A few types of businesses cannot be LLCs, such as banks and insurance companies, and there are special rules for foreign LLCs.

Owners of an LLC are called members and most states do not restrict ownership, so members may include individuals, corporations, other LLCs, foreign entities, and “single-member” LLCs — those having only one owner.

Tax Consequences. Companies formed under an LLC must elect to be taxed like a sole proprietorship, a partnership, or a corporation. If electing to be a sole proprietorship or partnership, an LLC avoids federal income taxes on company profits because there is no taxation at the company level; instead, profits are distributed to the members to be reported on their individual tax returns. But if an LLC business elects a corporation tax classification, it faces double taxation as its profits are taxed at the corporate level and again when distributed to the members to be reported on their individual tax returns. The reason an LLC may choose this classification is to save money on company profits, as corporate tax rates are lower than individual tax rates. Doing this also separates company profits from the owner’s income, which can then be used to support the business.

Subchapter S Corporation. If you select to have your LLC treated as a corporation for tax purposes, you will often elect to be treated as an S Corporation. Basically, this will eliminate the double taxation and the members will be taxed like a partnership.. The federal government’s Subchapter S regulations allow small businesses to enjoy corporate advantages — such as limited liability — without being responsible for corporate taxes. In a way, Subchapter S corporations let you have your cake and eat it too.

Liability. One of the major benefits of an LLC is the limited liability protection it provides its members. Setting up an LLC is less expensive and requires less paperwork than a corporation but still receives the same protections. In some

states there may also be additional protection through charging orders. The structure of an LLC allows a company to convert into a corporation or S corporation if it needs to do so, and members are not held financially or personally liable for the company’s debts or for actions of the company resulting in a lawsuit. However, members of an LLC as with a corporation business do not have total liability protection and can be legally responsible for certain actions: the corporate or limited liability protection does not apply to fraud, negligence, or personally guarantees on a debt repayment.

Asset Protection. Depending on your state, the LLC may offer the best form of asset protection. While both a corporation and an LLC can protect one’s personal assets from debts of the company, only the LLC in certain states may protect your business assets from personal liability. Imagine a car accident where a child is injured. With a corporation, partnership, or sole proprietorship you could lose your business if the liability exceeds the insurance coverage. The same could happen if you have to file bankruptcy. Many states have charging order protection for LLCs. In these states, it is possible to structure your LLC so that the business assets may not be at risk from personal liability. You should discuss your specific issues with a lawyer to determine if a properly structured LLC can offer you additional protections.

CORPORATION

A *corporation* is a commonly misunderstood business structure. Most people think of corporations as large, impersonal companies that employ hundreds of people. Yet there are corporations that consist of a single stockholder. The key distinction between a corporation and other business structures is that a corporation is a

legal entity, separate from its owners and stockholders. It is actually considered a “person” in the eyes of the law.

Unlike other business structures, a corporation may be complicated and expensive to set up, and has many reporting requirements. Formal documents, such as articles of incorporation, as shown in Figure 6, must be drawn up and submitted to the government. Minutes of meetings must be taken. A board of directors must be chosen.

Tax Consequences. Unlike other business structures, corporations pay taxes on corporate earnings. When these earnings are distributed to you as dividends, you must include them in your personal income tax return and pay additional taxes. So, if you are a stockholder (even the only stockholder), you are being taxed twice: once as a corporation and once as an individual receiving



Figure 6: Corporations are the most complicated business structures to establish. It's best to seek professional advice when setting up a corporation.

corporate dividend income. This is an obvious disadvantage to incorporating your business.

Liability. Perhaps the biggest advantage of a corporation is limited personal liability. Again, this is a result of the corporation's status as a separate legal entity. If an employee is injured and there's a judgment against the corporation, as a shareholder you stand to lose only the amount of money you have invested in shares. Your personal property cannot be used to satisfy the judgment. Similarly, if your corporation borrows money but cannot pay it back, the bank cannot use your personal assets to pay off the debt.

Transfer of Interest. A corporation has a perpetual and separate existence apart from its stockholders. Therefore, it is easy to transfer interest to a family member, to another person, or to another company by selling the corporation or by issuing or selling stock. In fact, one of the reasons corporations were invented was to make transfers of interest easy. This helps businesses raise money and develop new companies.

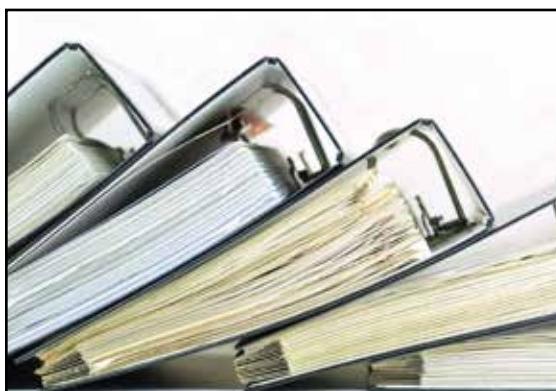
Subchapter S Corporation. There is another type of corporation called a Subchapter S Corporation. Basically, this is a corporation that is taxed like a partnership. The federal government's Subchapter S regulations allow small businesses to enjoy corporate advantages — such as limited liability — without being responsible for corporate taxes. In a way, Subchapter S corporations let you have your cake and eat it too.

How do you choose the most appropriate structure for your business? In most cases, the choice of business structure is obvious. The vast majority of one-person businesses, such as home-based businesses, are sole proprietorships but these have the highest risk of loss as they do not protect the business from personal liability nor the person from business liability. Many stay that way from beginning to end. Obviously, if you want to work with others, you must either choose a partnership, limited liability company, or a corporation. Some businesses start with one

structure, then change to another. A small partnership may grow, hire employees, lease or buy a building, and turn into a limited liability company or corporation.

COMPANY DOCUMENTATION

Most lawyers or online services will provide you with various documents depending on the type of entity you choose. Unfortunately, most of these documents deal with traditional issues that most businesses face but do not deal with the unique legal issues that businesses in the firearms industry deal with. Many operating agreements, shareholders agreements or corporate bylaws deal with issues like the death of a member or shareholder, bankruptcy, or divorce but rarely do you find one that has provisions to deal with the changes in the status of a member, shareholder, or partner that would change the ability to deal with firearms and ammunition. There are state and federal issues regarding firearms and the owners and managers of the various entities that should be included in the company's documents. Company documents with these provisions can help you and the others involved with the business understand the procedure, duty, and responsibility of each when events happen that could put individuals at risk of criminal liability or cause the loss of the FFL because of legal violations.



Taxes

Perhaps no issue is more important or more confusing to a business owner than taxes. The Internal Revenue Service (IRS) offers a great deal of information, but it is not in the business of educating business owners in the details of tax laws. It is up to you to learn how to maneuver in the tax jungle and to get the right kind of help.

This section covers many of the main things you need to know, but it is not comprehensive, and it may not be current by the time you read it. Tax laws are always changing, and you must keep up-to-date. Always consult the IRS for the latest rules, as the IRS provides many useful publications. An especially good one is IRS publication 334 (Figure 7), the Tax Guide for Small Business. Above all, it is strongly advised that you consult with a CPA or tax attorney to insure that you are in compliance with all tax laws. Remember, this lesson is not a substitute for professional advice!

Which tax laws apply to self-employed people? A self-employed person operating as a sole proprietor must pay federal income and social security taxes as well as state taxes, just as if he or she worked as an employee of a company. In addition, a self-employed person is responsible for the following taxes:

- Business license and tangible personal property sales tax
- Sales tax
- Self-employment tax
- Estimated taxes



Figure 7: Tax Guide for Small Business is really useful in staying up-to-date with current tax information.

BUSINESS LICENSE AND PERSONAL PROPERTY TAXES

We have already discussed the business license and how license fees are calculated. The fee you pay for the license is a tax. You may also have to pay a tax on personal property that you use in your business. This is usually referred to as tangible personal property and includes furniture, fixtures, machinery, and tools. You must itemize each piece of property you use in your business, state the date you bought it, and its original purchase price. The tax is calculated on the basis of the total value of your property.

SALES TAXES

As we mentioned before, you must have a permit to sell products. When your customers buy those products, they pay you sales tax. This tax is owed to your state government, unless you live in a state with no sales tax. If you offer professional services, you may not have to charge sales tax, but the rules and definitions differ from place to place. In some communities, certain products of service businesses are taxable.

If you collect sales tax, you must prepare monthly, quarterly, or annual sales tax returns. In some states, you can keep a portion of the sales tax you collect as payment for the cost of collecting it.

SELF-EMPLOYMENT TAX

All sole proprietors, partners, and independent contractors must pay social security taxes.

Self-employment tax is social security tax for self-employed individuals. If your business makes less than a certain amount in profits, you owe no tax. If it makes more (combined with any other income), you owe a percentage in tax. Self-employment tax is paid in addition to federal income tax and state property taxes. If you work for yourself and at a regular job where social security is withheld from your pay, you combine the two incomes to calculate the maximum self-employment tax you owe. Federal form 1040, Schedule SE can help you figure out whether you should file self-employment taxes (Figure 8).

**SCHEDULE SE
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Self-Employment Tax

► Information about Schedule SE and its separate instructions is at www.irs.gov/form1040.
► Attach to Form 1040 or Form 1040NR.

OMB No. 1545-0074

2012

Attachment
Sequence No. **17**

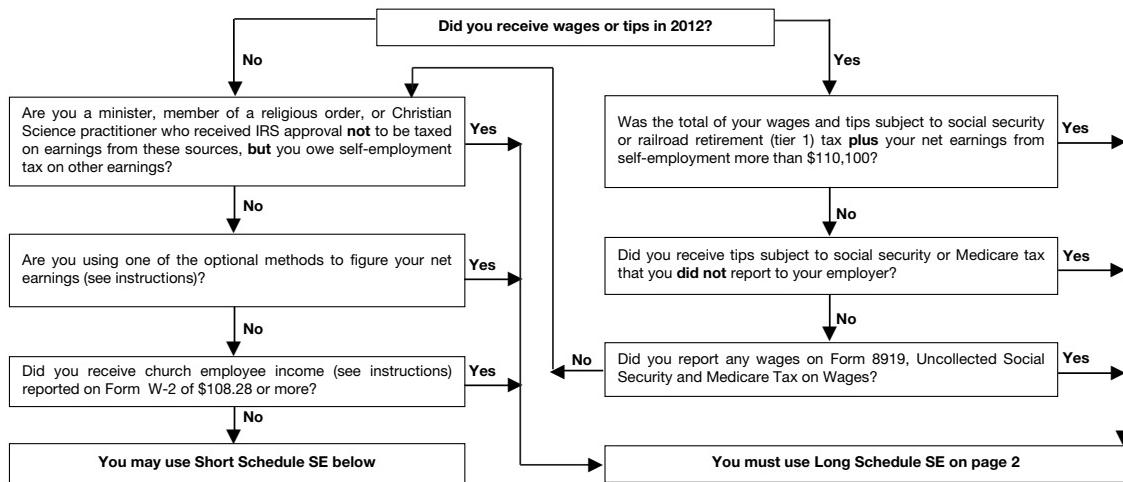
Name of person with **self-employment** income (as shown on Form 1040)

Social security number of person
with **self-employment** income ►

Before you begin: To determine if you must file Schedule SE, see the instructions.

May I Use Short Schedule SE or Must I Use Long Schedule SE?

Note. Use this flowchart **only** if you must file Schedule SE. If unsure, see *Who Must File Schedule SE* in the instructions.



Section A—Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

- 1a Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A
 - b If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code Y
 - 2 Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see instructions for types of income to report on this line. See instructions for other income to report
 - 3 Combine lines 1a, 1b, and 2
 - 4 Multiply line 3 by 92.35% (.9235). If less than \$400, you do not owe self-employment tax; **do not file this schedule unless you have an amount on line 1b** ►
- Note.** If line 4 is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.
- 5 **Self-employment tax.** If the amount on line 4 is:
 - \$110,100 or less, multiply line 4 by 13.3% (.133). Enter the result here and on **Form 1040, line 56**, or **Form 1040NR, line 54**
 - More than \$110,100, multiply line 4 by 2.9% (.029). Then, add \$11,450.40 to the result. Enter the total here and on **Form 1040, line 56**, or **Form 1040NR, line 54**.
 - 6 **Deduction for employer-equivalent portion of self-employment tax.** If the amount on line 5 is:
 - \$14,643.30 or less, multiply line 5 by 57.51% (.5751)
 - More than \$14,643.30, multiply line 5 by 50% (.50) and add \$1,100 to the result. Enter the result here and on **Form 1040, line 27**, or **Form 1040NR, line 27**

1a		
1b ()		
2		
3		
4		
5		

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 11358Z

Schedule SE (Form 1040) 2012

Figure 8: Self-employment tax is paid in addition to federal income and state property taxes.

ESTIMATED TAXES

Regular employees get a portion of their taxes deducted from their paychecks every pay period. If you are a sole proprietor or a partner, the government also wants some of your money on a regular basis. Therefore, you must make estimated tax payments every quarter. The payments are due January 15, April 15, June 15, and September 15.

How to Estimate Your Taxes. There are several ways to estimate your taxes. The simplest way to avoid penalties and pay what you owe is to base your estimates on the previous year's tax. Divide your last year's total tax by four and pay at least that much in estimated taxes each quarter of the present year. There are other methods you can use to estimate taxes, but they are so complicated you may need professional advice to use them.

AFFORDABLE CARE ACT

The profits from sole proprietors, partnerships, independent contractors are now subject to a new 3.8 percent tax for healthcare. Most corporations and limited liability companies are currently exempt from this tax on the profits. You should check with a CPA before picking your business structure to determine if you will be exempt from this tax or not. In many cases spending a little money up front to pick the proper business structure can save you a lot of money and provide additional benefits for many years to come.

DEDUCTIONS

As a business owner, you are entitled to deductions for the expense of operating your business. You can claim two kinds of deductions: expenses

for maintaining a home office, and regular business deductions.

Home Office Deductions. If you plan to set up a home office and want to claim it as a deduction, your home office must qualify as such according to IRS rules. The IRS has two basic criteria your home office must meet to qualify: exclusive and regular use, and principal place of business.

Exclusive use means that your home office must be used exclusively and regularly for business and nothing else. The office does not have to be a separate room, but it must be a separate and identifiable place. You can use a breakfast nook or a section of your family room for business, but it must be very clear that it is a separate place for your business and nothing else.

Regular use means that you use the space daily for so many hours a week. If you do not use the area regularly, the IRS may regard it as "incidental or occasional use" and disallow your deduction.

The second criterion requires your office to be used as your principal place of business or as a place used by your clients in the normal course of business. For example, if you have a regular job in addition to your home business or if you work in more than one location as part of your home business, to qualify you must spend a significant portion of your time in your home office. If you work at home four days a week and one day at an outside job, your home is your principal place of business. But if it is the other way around, your home office may not qualify. However, even if your home office is not your principal place of business, you can deduct home office expenses if, in the normal course of your work, you see clients at home.

REGULAR BUSINESS EXPENSES

All legitimate business expenses are deductible when computing your taxable income, as long as they meet three basic rules.

1. The expenses must be incurred in connection with your business.

This means just what it implies: the expense must be an actual business (not personal) expense. Taking a client out for lunch to discuss business is an expense incurred in connection with your business. But just going out to eat while you are working at a client's office is not a business expense.

There are some expenses that are both personal and business. The most common example is your car. The IRS allows you to divide your auto expenses into personal and business expenses and to deduct the business portion. If you plan to claim your car as a business expense, you should keep a mileage log.

2. The expenses must be “ordinary and necessary.”

“Ordinary” and “necessary” refer to expenses common to your type of business. Photocopying is a common expense for self-employed people. Buying paints, canvases, and sable brushes is not.

3. The expenses must be reasonable.

Obviously, “reasonable” is not an exact term, and the IRS makes certain judgments about what is and is not reasonable. If your business only grosses \$5,000 a year but you claim \$100 lunches with clients every week, your claim is going to raise some eyebrows at the IRS.

There are as many types of business expenses as there are businesses. For example, listed below are some of the common deductible expenses listed by the IRS on Schedule C:

- Advertising
- Automobile expenses
- Business licenses
- Depreciation
- Dues and publications
- Utilities
- Postage
- Office expenses
- Supplies
- Travel, meals, and entertainment

We will not discuss every possible deduction in this lesson. A tax specialist can help you deduct every legitimate expense.

Publication	Description
Publication 15	Publication 15, (Circular E), Employer's Tax Guide
Publication 334	Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ)
Publication 463	Travel, Entertainment, Gift, and Car Expenses
Publication 505	Tax Withholding and Estimated Tax
Publication 531	Reporting Tip Income
Publication 535	Business Expenses
Publication 547	Casualties, Disasters, and Thefts (Business and Nonbusiness)
Publication 560	Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans)
Publication 583	Starting a Business and Keeping Records
Publication 587	Business Use of Your Home (Including Use by Day-Care Providers)
Publication 598	Tax on Unrelated Business Income of Exempt Organizations
Publication 946	How to Depreciate Property
Publication 1635	Understanding Your EIN - Employer Identification Numbers. This publication is designed to educate the public about the Employer Identification Number (EIN). It explains what an EIN is, how to know if you need one for your business and provides application criteria.
Publication 1779	Independent Contractor or Employee

Figure 9: Publications are available from the IRS to help determine what documents are needed and when/how to file your taxes properly.

KEEPING RECORDS FOR TAX PURPOSES

The IRS does not prescribe any specific accounting records or documentation. But you need to keep careful records to comply with tax regulations, to show proof of tax deductions, and to show values of assets in case of an insurance claim after a loss. The information you need for tax purposes includes the following records of income items and deductions:

1. Federal income statements (supplied to you by your clients)
2. Auto mileage logs
3. Business expense receipts
4. Office expense receipts
5. Documentation of your business equipment for potential insurance claims

How long should you keep your records? At least three years for most records. Many accountants recommend a longer period — five years or the life of the business for documents such as a partnership agreement or articles of incorporation. But record keeping for tax purposes is just one aspect of overall business accounting and record keeping.

HOW TO AVOID AN AUDIT

Although the vast majority of businesspeople do not get audited, many worry about it. The IRS audits less than 2 percent of all returns. Yet many people are unnecessarily afraid to claim legitimate deductions for fear of triggering an audit.



Figure 10: Keeping careful tax and accounting records is important in protecting yourself in case of an audit and allows you to plan for the future.

The IRS checks all tax returns for mistakes in arithmetic. If you have made an error, you will be notified. An error is just that: it will not increase your chances of being audited.

Knowing the tax laws and keeping complete records are the best ways to avoid an audit and to protect your business if you are audited.

Never throw receipts away. Keep bank statements and canceled checks for several years. Keep all your records up-to-date. If you do not understand the tax regulations — and very few people do — get help from a CPA.

Where to Go for Help

As we have said before, planning is the single most important factor in the success of a new business. Where can you go to get help planning your business? Here are some suggestions.

SBA: The U.S. Small Business Administration (SBA) is an independent agency of the federal government that provides aid, counseling, assistance, and protection to the interests of small business concerns. SBA provides free individual face-to-face and internet counseling to help you manage your business from start to finish, expand your business through new programs and services, increase your business knowledge and productivity, and support your business through administering loan guaranty programs. Your local SBA can assist you in starting a business in your state and make you aware of local laws and ordinances that may only apply to your city or state.

To find out more about SBA, visit its website at www.sba.gov, call toll-free at 1-800-827-5722.

SCORE: The Service Corps of Retired Executives (SCORE) is a group of experienced businesspeople who help draft business plans and lend free advice on everything from incorporation to marketing strategies. Score offers information on a myriad of topics from *"Advertising Your Business Using Social Media"* to *"Cash Flow Projection."* Their website offers templates and tools to help your business grow and stay growing. Contact the U.S. Department of Commerce in the U.S. Government listings of your local phone book for more information on SCORE programs in your area, or visit the SCORE website at www.score.org.

The National Federation of Independent Business (NFIB): NFIB is a small business advocacy association representing small and independent businesses in Washington and all 50 state capitals. Its mission is to promote and

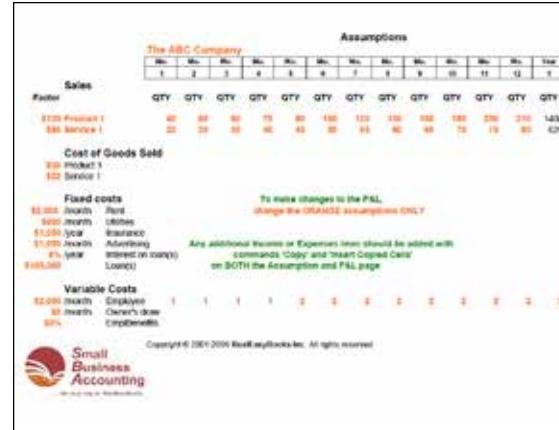


Figure 11: SCORE offers handy templates, seminars and tools to help you in your business planning.

protect the rights of its members to own, operate, and grow their businesses. NFIB also helps its members to be competitive in the marketplace by pooling the purchasing power of its members by giving them access to many business products and services at discounted costs. NFIB provides timely information designed to help small businesses succeed. For information, visit the NFIB website at www.nfib.com or call 1-800-NFIB-NOW.

Small business cooperatives around the country offer shared low-rent office space and shared secretarial, copying, and fax services. The centers are often sponsored by universities, nonprofit associations, and state or local governments.

Many universities and community colleges offer seminars and lectures in small business management to assist start-up companies with finances, marketing, and contracting. Lectures and seminars include subjects such as how to start a business, where to get capital, and how to prepare taxes.

A Certified Public Accountant (CPA) or tax attorney who specializes in small businesses is a good place to start when beginning your new business. A tax advisor experienced with small businesses can help you set up your record-keeping system now and help you take advantage of all possible tax deductions.

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Advertising and Promotion

Your business could be the best in the nation, but the people who need your services must know you exist and where to find you. You have to tell people about your business — or get others to tell them for you. Ideally, you should do both.

Marketing, advertising, and promotion bring you business. Marketing involves a plan to make people aware of your business and persuade them to become your customers. Advertising is carrying out the plan. It is also more costly. You can buy space for a printed advertisement in a newspaper, magazine, directory, or other publication.

You can also advertise on the internet, or you can buy airtime on radio or television.

Promotion can be free, or at least lower in cost than advertising. But promotion takes up much more of your time than advertising. Promotional techniques include making personal appearances and giving speeches, teaching, sponsoring various causes, offering premiums and coupons, and volunteering your services or time.

Publicity that gets your business mentioned in news stories is one form of promotion. Publicity is a form of public relations, rather than advertising. Effective publicity has much greater credibility than advertising because a third party delivers the message. Of course, you cannot control your publicity as you can your advertising, so publicity can backfire on you if it is negative. Finally, you can reach customers through e-blasts, direct mail, referrals, and by responding to help-wanted ads.

SHOULD YOU DO IT YOURSELF?

The easiest way to advertise and promote your business is to hire someone to do the work for you; but that also can be the most expensive way. First, you need to determine if you have enough money to spend on advertising and promotion to make hiring someone worthwhile. That means setting up an advertising and promotional budget. But before you budget for advertising and promotion, make sure your business is ready to give top-notch service and that your employees, if you have any, are fully trained for their jobs.

Next, locate your potential customers. The more you know about them — what they read, where they look to find services — the better you can structure your ad and promotional program. This helps you pinpoint your target market. Use

the information you gather for your marketing plan to identify prospective clients.

The best method of developing an advertising and promotional budget is the percentage of sales method. Project your expected sales for the next year, and then decide what percentage you want to spend on advertising and promotion.

Then, calculate your monthly advertising expenditure. As a guide, most small service businesses spend from 1 percent to 10 percent on advertising and promotion. For example, if you project sales of \$80,000 and plan to spend 5 percent on advertising and promotion, you would budget \$4,000 for the year, or about \$333 a month.

Of course, \$333 a month will not interest an ad agency or public relations agency, but that does not mean you cannot advertise. You will have to do more of the work yourself, or look for an affordable contract graphic designer or public relations consultant. Whatever alternative you choose, keep track of your actual sales so that you can adjust your spending quarterly to keep pace with your business.

If your initial budget estimate comes up short, you may want to consider using barter. Barter is simply the exchange of services or goods for other services or goods. No cash changes hands. For example, a local printer or ad agency may let you trade your services in exchange for printing your brochure or airing your commercial.

Barter is an excellent way to help your business along when work slows or when you are short of cash. Barter works best if you are dealing with someone you know, or if you can take advantage of someone else's slack time. Many communities have commercial barter clubs or barter brokers to give you help and information.

HIRING A DESIGNER

One criterion on which your business will be judged is the appearance of your graphic materials: signs, posters, Yellow Page ads, newspaper ads, brochures, business cards, and stationery. These are the materials that will be making your first impression. This is one area where hiring an expert may be the best course of action.

It is important to have a consistent look for all your stationery items (Figure 2). Design consistency adds impact and helps people to identify the business. Extending your “look” to all your advertising and promotional materials makes the whole more effective than the parts. Everything works together, pulling in the same direction. When people see your business card, they remember your direct mail. When they see your direct mail, they remember your ad.

How do you get a unified look at low cost? You could ask a good printer to show you design concepts for stationery items or you could get a

graphic arts student from a nearby college to design a distinctive logo. It is best to use one professional graphic artist or designer to design all your advertising and promotional materials. Do not make the mistake of hiring one person to do a logo, another to do a direct mail piece, another to create a web ad, and still another to prepare a newspaper ad. The result is almost guaranteed to be muddled.

Before you start looking for a graphic designer, you should know exactly how much you could spend. Designers’ rates can range from a modest \$25 to more than \$150 an hour. Get written estimates. Realize that the final costs can vary 10 percent from the estimate, much more if you make changes while the job is in progress.

Once you know what you can afford, you can begin your search. Start by asking business acquaintances for referrals. If you see graphics work that you like, call the company for whom the work was done. The advertising, marketing, or public relations manager should be able to

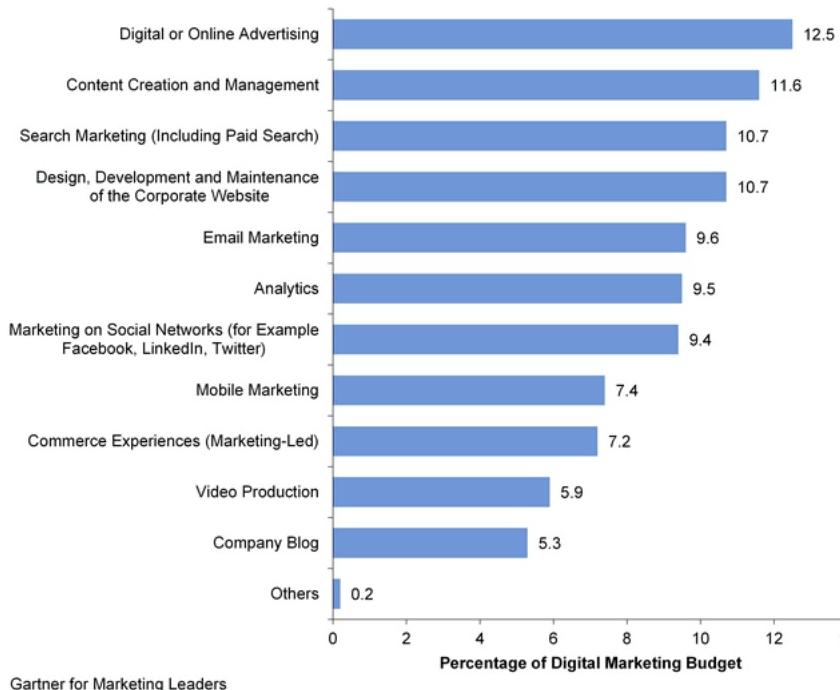


Figure 1: A percentage of your annual budget should be set aside for advertising and promotion.

give you the artist's name. If these steps do not yield results, look in the Yellow Pages directory under "Graphic Designers."

Once you start working with a designer, describe carefully the audience you want to reach and the message you want to give. Try to meet with at least three designers to review their portfolios. However, before you schedule the meetings, discuss your budget with them on the telephone. It may seem awkward, but it will save you and them time if your budget cannot match their fees.

When you schedule an interview, ask the designer to bring samples relevant to your project. If you want a direct mail piece designed, ask to see direct mail pieces done for other clients. And make sure the work is the designer's own; ask point blank if he or she was responsible for the design concept, or merely used another person's concept. Evaluate other factors, too. For example, can you work comfortably with the person? Does he or she seem too egotistical or unmotivated? Are you thinking along the same lines?

Once you start working with a designer, describe carefully the audience you want to reach and the message you want to give. Ask to see the colors and typefaces that he or she plans to use. Choose designs you like and that are suitable for the intended audience. Show the designer samples of concepts you prefer.

Approve the design at an early stage. Be sure to ask the designer for thumbnails or comps. Thumbnails are rough sketches of the design. Comps are full-size, accurate mock-ups of the finished piece. Because comps are more complete, they will cost more. But they can help you and the designer narrow down the design choices, and in the long run they will save you money. Make the fundamental decisions about the project before the comp stage. Making radical changes that late in the process will cost you.

Proofreading copy is your responsibility, not the designer's. A change in just one letter can change the message or create an embarrassing mistake, so proofread carefully.



Figure 2: Your marketing and stationery should all have a uniform look.

Set a reasonable deadline for the designer, but include enough leeway to allow for emergencies and equipment failures. Agree in advance when payment will be due: perhaps one-third at the start of the job, another third halfway through, and the final third at completion.

HIRING AN AGENCY OR CONSULTANT

While you may not have enough money in your advertising budget for an ad or PR agency, you may have enough to hire a independent contractor as your advertising, public relations, or marketing consultant.

However, you may prefer to show your growth potential to an ad agency and persuade them to take a gamble on you. Standard agency fees include direct and indirect charges. An agency usually charges by the hour for production work, which includes creating an advertising style and producing the artwork and layout.

Before you interview agencies or consultants, answer these questions:

1. What do you want the agency or consultant to do for you that you cannot do for yourself? If your advertising and promotion are not going to include display advertising in the main part of a newspaper or magazine, you probably do not need an agency or consultant.
2. Are you willing to listen to their advice, or will you do what you want anyway? If you already have definite ideas about what you want, you may not need an agency or consultant.

3. Is there another way to do it? Perhaps your graphic designer can handle the production of ads and materials. If your advertising and promotion focus is going to be on direct mail, classified ads, and publicity, you may really need a marketing or public relations consultant, a graphic designer, and a media-buying service. (Many ad agencies use a media buying service to purchase advertising space and time.)

You should consider an agency if your budget is large enough to include display advertising and you have not had any experience in that field. Display advertising should be professionally written and produced. Writing ad copy is a combination of art and science, and an amateur display ad could be worse than no ad at all.

If you decide to hire an agency or consultant, the process is similar to the one for hiring a graphic designer:

1. Get the names of firms and people to interview. The advertising manager of a local newspaper or other media sources may be able to give you the names of the agencies that handle businesses like yours. Check the names with the local Better Business Bureau; eliminate those with complaints on file against them.
2. Contact two or three agencies to arrange interviews. Tell them how much money you have to spend. Ask them to show you samples of work they have done for businesses similar to yours.
3. Ask for the names and phone numbers of clients. Check with former clients to see if

they were satisfied. Keep in mind that an ad is supposed to sell a service or product — not the ad agency. Creative ads that win awards do not necessarily increase sales. Ask about results.

4. Find out who at the agency will be handling your account. Agencies often have top executives solicit accounts, but the junior people actually do the work. If you are not comfortable with the people who will be working on your account, find another agency.
5. If you plan to do online only advertising, make sure you work with an agency or designer who understands the special requirements and parameters for online ads and marketing those ads to the most viewers.

Find out how the agency or consultant wants to be paid and what kind of agreement they require.

Creating a Professional Image

What image do you want to present to your customers and potential customers? A formal, organized business image? That is fine unless you dress casually and informally for business meetings, or if clients who stop by to pick up a job find a messy office. The image you project must match your business style (Figure 3).

There is nothing wrong with being casual and informal. In fact, many people will become customers of your small business because they do not want to deal with a large, formal operation. If you start using expensive letterhead and business cards and four-color brochures, potential customers may think you are too big or too fancy for their needs. They may decide you are too expensive, without even checking your prices.

How can you look good without looking too good? First, check out other successful small businesspeople. Ask a few what works for them. After you have talked to a few small business owners, you should be able to find your own style, one that is comfortable for you and works well for others.

THE CAPABILITIES BROCHURE OR RESUME

For promotional materials, you need a brochure or resume that describes your business and services. A capabilities brochure can be anything from a single sheet of paper folded into three panels to a longer booklet. To start, a brochure or a resume on one or two letter-size pages should do the job.

A capabilities brochure or a resume has many uses. Mail one out whenever you get an inquiry. Leave one behind when you make a sales or marketing call. Include one in direct mail packages. Use one to respond to an ad and follow up a lead. Offer one free in your advertising.

A capabilities brochure is most effective when it is typeset and includes graphics. A resume is acceptable either typeset or typewritten. Generally, a brochure focuses on your business and a resume focuses on you. You may want to have both available to attract different types of clients.

A capabilities brochure and a resume should include the following:

1. An explanation of the benefits of doing business with you. Sell the benefits of your services. This is the most important aspect of a capabilities brochure and a resume.



Figure 3: Your logo can be as simple or as complex as you care to make it. Be sure to make sure your logo represents you, and what you do, clearly.

2. A description of your services and your areas of specialization. Include some of the specific projects you have completed.
3. Important capabilities, such as overnight and weekend service, free pickup and delivery, etc.
4. A listing of recent customers — only if you have received permission to use their names.
5. A description of your experience and training.
6. A description of the equipment and software you use, if applicable.
7. Your name, your business name, address, email and telephone number.

When you have been in business a while, you will start getting letters and comments from satisfied customers. You may want to revise your brochure or resume to add endorsements from two or three customers who will testify to your skills, accuracy, quality, dependability, responsiveness, and so on.

REFERRALS

Your most powerful marketing tool is a customer who liked the quality and value of your services. Satisfied customers tell other people about your business. You probably first learned about many of the businesses you patronize through recommendations from your friends and family. If so, you know that referrals can be very effective in attracting new customers.

People can provide referrals whether or not they are familiar with the quality of work you do. All that is necessary is that they know you, the kind of person you are, and the business you are in.



Make a list of all the people you know in these categories:

- Former coworkers
- Local business owners
- Doctors and dentists
- Bankers or Lawyers
- Neighbors
- Teachers (yours or your children's)
- Former bosses
- Social club members
- Insurance agents or other professionals you have done business with
- Former classmates; alumni
- Religious leaders

Send them your brochures, resumes, and business cards, along with a friendly letter asking for their support and referrals. And do not forget to include the vendors who supply your products or services on your list. Ask if they can use your services or know anyone who can. If they have bulletin boards where business cards are displayed, ask them to add your card to the board.

Placing Classified and Display Ads

There are many methods of advertising. But because advertising costs money, you should concentrate on what works and produces a return. Your market research should identify who your prospective customers are and where you can find them. Using that information, you must then decide which advertising media will do the best job of reaching those people, at the lowest cost.

If your target market is mostly in a small town or the suburb of a very large city, the city's daily newspaper is not a cost-effective advertising buy. You would be paying to send your ad to people who are miles away, and you probably would not want to spend the time or money to service them.

But if the city's daily newspaper has a zoned edition that is delivered primarily to your town or suburb, an ad in that edition might be a good buy. So might an ad in your town's weekly or daily paper. As you might expect, major papers with big circulations charge more for the same amount of space than does a weekly community paper. Also consider advertising in the free publications distributed at supermarkets, shopping centers, and door-to-door.

If you want to reach business owners, consider advertising in the local chamber of commerce's newsletter. To reach students and faculty at the local university, try advertising in the student newspaper or magazine.

Standard Rate and Data Service is a publication found in most library reference sections that offers information on most print, radio, and TV advertising outlets, including circulation, rates, and coverage. This information is also available online from university websites but you may

need a school log-on to access this information. This publication can offer information on media you already know about, and you may find new ones worth consideration.

Another guide to ad placement is your competition. Where do other small businesses advertise? Where do your competitors advertise? If their choices make sense to you, that is where your ads should be.

Few small businesses can afford, or need to use, radio or television, so our focus here is on print advertising — newspapers, trade magazines, and directories. But in small communities, radio and cable TV can be surprisingly inexpensive.

Once you identify where your potential customers are and how to reach them, it is time to decide what you want your advertising to do. Do you want to:

1. Make potential customers aware of your business?
2. Create a favorable impression or develop your image?
3. Create a need for your services?
4. Sell your services?
5. Remind old customers about your services?

Advertising can do all of these things, but the most effective ads will focus on doing only one. The most effective ads are also those that your potential customers see again and again. Advertising research shows that most buying decisions are made subconsciously, and it takes repetition to reach the subconscious.

Many advertisers waste money by taking an ad here, an ad there, and a third ad somewhere else, often in publications that reach far more people than the targeted market. Their ads are not seen often enough by their potential customers, so the ads have little impact. A simple, attractive ad that people see repeatedly will draw more

response than an elaborate, expensive ad that they see infrequently.

Advertising frequently in the same publication should entitle you to quantity discounts. But you usually have to ask for discounts, whether they are quantity or seasonal. Never accept the first advertising rate you are offered; always ask for a discount.

NEWSPAPERS

Besides deciding which publications will yield the best results, for both newspapers and magazines, you will need to decide between two types of ads: classified and display.

Classified Ads. Classified ads work well for many small businesses. Classified ads can be particularly effective in trade publications directed at business areas, such as construction, real estate, or independent business owners, from which you want to draw customers.

Classified ad space is almost always sold by the line and limits you to the typefaces and style of the publication. Many daily newspapers, for example, do not accept logos. As a rule, deadlines for classified ads are much shorter than for display ads in the same publication.

Classified ads can be an excellent start for your advertising, as long as you follow some basic rules:

1. Run your ad continuously over a period of time. That is the best way to keep your name before your market.
2. Use clear, precise wording in your ads. Most newspapers have experienced ad takers who can help you choose the briefest way to get your message across.
3. Make sure your ad is listed in the right place. Most newspapers have a “Business Services” section that works very well (Figure 4). In trade magazines, you might also look for other sections where your ad will fit. Try running your ads under various sections for two or three weeks in a newspaper or for a couple of months in a magazine.

The figure displays a collection of service directory ads, likely from a newspaper or magazine. The ads are arranged in a grid-like fashion. Some key details from the ads include:

- SERVICE DIRECTORY:** A general heading for a service directory.
- McCall's First Stand-Up Tanning Bed:** Offers 40 high-pressure belts, 10-min. max. intro price \$15, shear madness \$315.
- House Calls!** Services include Dr. John Park Pet Clinic McCall, 634-6383.
- Emerald Isle:** Services include Senior - Pet - Pet Services, Companionship Errands/Transportation, Pet Sitting, Light Housekeeping, Grooming, Room Organization.
- Animal Kingdom Taxidermy Studio:** Services include Trophy Heads, Game Fish, Birds.
- A-1 Heating & Air Conditioning:** Local, Reliable, Affordable.
- Matt's Handyman Service:** We Can Help Erase Your 'Honey Do' List! Services include Home Improvements, Remodeling & Repair, Snow Removal, Deck/Walkways.
- JOHN DEERE Compact Tractors:** 20 HP to 50 HP - "Run With The Best".

Figure 4: Listing your business in a business directory is a good way to find readers looking for your services.

Display Ads. There are two elements to display ads: copy (what the ad says) and layout (how the ad looks). Focus your creativity on the copy and keep the design clean and simple. Creative copy — particularly a creative headline — in a clean, uncluttered layout can attract and keep the attention of the reader. While a creative layout may also attract the readers' attention, if the copy is dull and uninspiring, you will lose them.

Layout. If you have the talent or ability to create your own ad, you might try following the examples of other print ads you like. But you should still try to make your ads look different from your competitors'. Once you have designed your ad, keep using it. Over time, readers will recognize your ads on sight. Incorporate your logo, if you have one, and try to use a distinctive border to separate your ads from others on the page. Unless you have a talent for graphic design and know the specifications needed for computer graphic art, it is best left to a professional designer.

Use a large picture or headline as a dominant element for added visibility. Choose a layout that carries the reader's eye through the ad easily and in proper sequence: from the headline to the illustration to explanatory copy to your business's name. Do not crowd your ad. White space is important, particularly in newspaper ads where the pages are heavy with small type.

If you rough out your idea for a newspaper ad on a sheet of paper, the newspaper's production department can do the actual layout, maybe even add an appropriate illustration. Be sure to ask for a proof of the ad before it runs. This can be the simplest, least expensive way to get an ad produced, but there is one drawback. Typically, newspaper production departments are very busy, and do not have much time to spend on your ad, so it will probably look a lot like other ads in the paper.

*You may be selling a service,
but your customer is buying benefits.*

Copy. If you retain an advertising agency, it can write the copy and layout the ad. If you use any of the other approaches for producing an ad, you will have to write the copy yourself or hire an experienced freelance writer to do it.

Make sure your headline promises something or describes a benefit. You may be selling a service, but your customers are buying benefits. The first question a reader asks of an ad is *What is in it for me?* Answer that question. Elaborate on the answer in subheads. Headlines starting with "How to..." encourage readers to read the copy. So do headlines that give specific information or useful suggestions. *Do not generalize in headlines.*

Be specific in your copy. Do not say you offer fast service, say how fast: same-day service or next-day delivery. Do not just say that you offer special services, describe those services.

Do not try to impress your readers by exaggerating or using difficult words. Everyone understands simple language, so use it. Avoid full sentences; use phrases and stand-alone words.

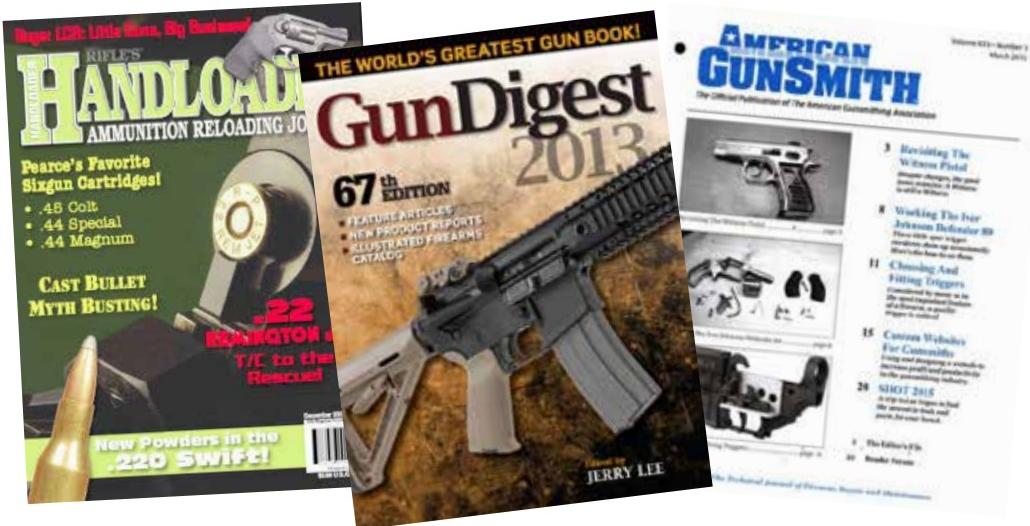
After you have finished a first draft of your ad copy, look it over very carefully for unneeded words that rob it of its punch. Get rid of cute fluff phrases that do not sell your services.

If it is appropriate, use your ad to offer something — a free copy of your brochure or a 10 percent discount for a limited time. It will help you find out how effective your ad is. The calls and letters you get in response to the ad will help you build a solid list of names and addresses for direct mail selling.

PROFESSIONAL OR TRADE MAGAZINES

If potential customers read professional or trade journals, you might consider advertising in them. The journals allow you to target your advertising to the most receptive customers. Another advantage is that, because magazines often lie around for months, they can produce results long after they are first issued.

Although advertising in a national journal may be beyond your means, many fields are served by local and regional trade magazines. And some national magazines publish regional editions. There are thousands of professional and trade journals. Your local library should have a directory with names, addresses, phone numbers,



and other information on those of interest to you. Among the directories you might consider are *Standard Rate & Data Service* or *Gebbie Press All In One Directory*.

Your library may also have copies of some of the magazines you find listed. If not, you can email or call the magazine company you are interested in to get sample copies, advertising rates, and other information.

Magazines, particularly monthly magazines, have a much longer lead-time than newspapers. Ads usually must be submitted two to three months before publication.

Magazine space for display ads is usually sold by the page or fraction of a page. Research shows that effectiveness does not decline directly in proportion with size; a half-page ad is about two-thirds as effective as a full-page ad. Magazines with classified sections sell space by the line, the same as newspapers.

Magazines usually offer quantity discounts, based on the amount of space you buy in a 12-month period, and frequency discounts,

based on how many times you advertise in a 12-month period. Make sure to ask about them. If you try out magazine advertising with classified ads and have some success with them, consider moving up to display ads in those magazines. One advantage of a display ad in a respected publication is that you can use it in your promotions. Have reprints made up and add the line "As advertised in...." They can be used in direct mail and to answer requests for information. Mounted on card stock or framed, they can be used as wall and counter displays.

DIRECTORIES

Ads in directories are effective because they target people who are interested in the services being offered. Readers have already decided to buy; they are just looking for the right business to buy from. This is particularly true of listings and ads in the Yellow Pages directory. A good Yellow Pages listing might not bring in a flood of customers, but it will bring a slow, steady stream of business your way.

Anyone with a business telephone is entitled to a one-line listing in the Yellow Pages directory. Place your listing under the most obvious heading for your business. Also consider additional listings under less obvious related headings.

You might also consider buying Yellow Pages display ads. Whether you do will depend on how many competitors are listed in your area. You may need a display ad to help you stand out. Many businesspeople consider Yellow Pages display ads the most cost effective advertising available. One commonly used device is a display ad under the primary heading and one-line listings under secondary headings that refer customers to the display ad.

Make sure to place your ad before the closing date for the upcoming edition. Remember that Yellow Pages ads run for a full year, so do not include any information that will be outdated before the next directory is issued.

One suggestion is that after you become certified and get your FFL, you can start out advertising in the gun shops with business cards.

Offer a free gun cleaning to anyone that brings you the card. You will get a lot of folks that come in for cleaning that will end up needing some other work done and you will establish contacts and they will see the quality of your work.

A lot of folks frown at this because you will be doing a good bit of free work. Don't look at it that way. Look at it as an investment that will get folks to return to you later on because of the quality work you provided.

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Direct Mail

As you make contacts and keep them on record, you will be building a mailing list. You can turn your contacts into cash through direct mail. Direct mail is any printed promotional material that is mailed directly to the customer. Direct mail includes brochures, letters, reply cards, price lists, catalogs, and coupons.

Direct mail is being used more and more frequently. American business currently spends more money on direct mail than on radio or magazine advertising. Direct mail spending grew 3.1 percent in 2010, and accounted for \$45.2 billion of direct and digital ad spending in 2010. Direct mail is expected to grow 5.8 percent in 2011, to \$47.8 billion. It is one of the best formats for transmitting detailed information. It also offers great flexibility, since you can send any message to anyone at any time. You can use direct mail to

- Reach new customers
- Keep in touch with old customers
- Offer special prices or discounts
- Announce new services or capabilities
- Announce price changes
- Develop your business image

Direct mail offers many advantages, which explains its popularity among advertisers. Among the many advantages of direct mail are

1. **It is highly selective.** You can target your message directly to your potential customers. You will reach fewer people, but they will be the right people.
2. **It is economical.** With a good direct mail piece, if you target your customers properly, the cost per sale can be much lower than any other advertising and promotional method.
3. **The results are measurable.** You can calculate your cost per sale or per job to evaluate the true cost, not just the cost per thousand of doing the mailing. And if you make an offer with a cutoff date, you know on that date whether the effort was successful.

Direct mail should not be used as a substitute for other advertising and promotion. One type should support the other. Keep in mind that for a small business, the return from direct mail may be slow. But there is no other method that gets your brochure or letter into the hands of so many potential clients. Plan on sending a series of mailings, preferably three or more, so that the services you provide become familiar to prospective customers.



Figure 5: By including a discount or offer in your ad, you can effectively track your direct mail results.

WRITING EFFECTIVE DIRECT MAIL LETTERS

Most of the techniques for writing effective letters also apply to direct mail letters. The most important thing to remember when writing a direct mail letter is to discuss benefits to the reader and not to sell your service.

Your market is made up of two kinds of people — those who have a problem you can solve and those who have a goal you can help them achieve. People always want to know what is in it for them. They also want to know how much, how fast, how profitably, and how soon. Tell them. Match the reader's needs with your capabilities. The best direct mail letters will:

1. Use short sentences and short paragraphs. Studies show that readers have trouble with text whose sentences average more than 17 words. Short paragraphs (and wide margins) add white space and readability.
2. Eliminate needless words, clichés, redundancies, and abbreviations. Get rid of long-winded phrases.
3. Get rid of stuffy language. Be conversational, not formal. Use contractions and pronouns. Use one- and two-syllable words in place of three- and four-syllable words.
4. Use the active voice and strong verbs. Avoid the various forms of *to be*: is, are, and was.

COMPILING A MAILING LIST

The right mailing list is crucial to successful direct mail. The best list of all is your own customer mailing list, the one you should start compiling the day you open for business. Complement it with a separate list of potential customers.

Where do you get the names of potential customers? You can start with the public library, which should have lists of local organizations and professionals. You will have to go through them and pick out the ones you want. Check the Yellow Pages for organizations that might be interested in your services. Check newspaper announcements of new businesses. Ask current customers for names.

Your market is made up of two kinds of people — those who have a problem you can solve and those who have a goal you can help them achieve.

If your city or county has an economic development office, it may have a local business directory you can buy at a modest price. The Chamber of Commerce should have a directory of members which may be free if you are a member. You also may be able to buy a one-time use of the mailing list of another local business.

Mailing list brokers sell names and addresses. But many of their lists are highly specialized. Since most customers prefer to find services that are close by, look for customers within a reasonable distance from your place of business. Most lists available from a broker are not that localized and will produce substantial waste, unless you go through the list and eliminate unwanted names and addresses.

Wherever you get the names for your mailing list, qualify them by your own sense of where your potential customers are. There is a fine line between direct mail and junk mail. Make sure you are sending your mailing to people who want it, people who really might become your customers. If you use a group mailing program, such as Val-Pak, you can target your direct mail by zip codes or regions that are in your area.

To assist you in your design, mailing and sending of your direct mail pieces are companies like AmazingMail or Vista Print which are one-stop shops for your direct mail needs.

Keep in mind the rising cost of postage and consider using a service for your mailing such as Stamps.com or flat-rate shipping from the U.S. Post Office. Both will save you time and money. Do your research to find out how to get the best rate when shipping your direct mail pieces.

PUTTING TOGETHER A DIRECT MAIL PACKAGE

There are many different forms of direct mail marketing. A well-designed postcard can be very effective. So can packages containing well-written, personalized letters, brochures, fliers, coupons, or specialty items, such as pens and calendars.

A classic direct mail package consists of an outer envelope, a letter, a brochure or resume, a response device (coupon, reply card, or phone number) and, sometimes, a return envelope. The important thing is that your direct mail fits the audience you are trying to reach and project the image you want for your business.

Outer Envelope. There are three goals in direct mail:

1. To get your envelope opened.
2. To get the material inside read.
3. To get business.

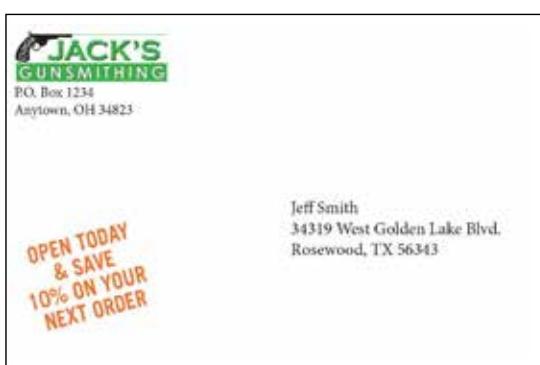


Figure 6: Make recipients curious enough to open the envelope that has a teaser.

Obviously, you cannot reach the last two goals if you do not reach the first. One way of getting your envelope opened is to print a teaser on it that is appropriate for the customers you are trying to reach. A teaser, as shown in Figure 6, is a few carefully chosen words that will make recipients curious enough to open the envelope.

Letter. A good direct mail letter gets the attention of your prospective customers, generates interest in your services, offers the reader a benefit, creates a desire for your services, and gives the reader a deadline for acting. An alternative approach is a letter that introduces your services and prepares the reader for your follow-up call and subsequent meeting, where you will sell your services.

You might want to make a special offer, such as a 15 percent discount for new customers who respond within six weeks. Or you might include a 15 percent discount coupon for both old and new customers who submit it with their next job by a specific deadline. Or you might offer a free, no obligation consultation.

If you have installed a new piece of equipment or are using a new technique, write a letter to your current clients, telling them what this means in terms of your ability to serve them better. If you created an unusual piece of work, send it out as a sample.

Make sure your letter tells a complete story, even if your direct mail package is to include a brochure and other materials. Some people will read your letter; others will read your brochure. Few will read both.

Brochure and Resume. You may want to include a capabilities brochure or resume, discussed earlier in this lesson, to project a professional business image.

Other Inserts. Many small businesses that use direct mail include a price list. If you send one out, be sure to date it so that a prospective customer

who files it away will not insist on holding you to those prices five years later. Include prices for each of the services you offer.

Some direct mail advertisers include specialty items, such as imprinted calendars or pens. If there is something that current and potential customers are likely to keep and use, it will help to keep your name in front of them.

DIRECT MAIL FOLLOW-UP

Always check your direct mail efforts to determine if they are working. Analyze your direct mail package and its results to see what works well and what you can improve. Follow up on each mailing with telephone calls.

Follow-up requires keeping good records. One way of maintaining good records is to keep copies of letters you send and make notes on the copies. You also can set up a log in a computer database to record the letters you send, the calls you make, and to schedule and record follow-ups. Without good records, you will lose track of important information.

One of the unique advantages of direct mail is that some aspects of it can be tested inexpensively. In print advertising, only advertisers with big budgets can afford to try several different approaches in different media. You can test a direct mail campaign in several different ways:

1. Try it out on a segment of your mailing list before sending it to everyone on the list.
2. Send different letters, offering different limited-time benefits, to segments of your list.
3. Test the same letter with parts of different mailing lists.
4. Try different packages (one with a brochure, one without).

When you test a direct mail campaign, remember to keep careful records of what went to whom so that you can evaluate the results and use the evaluation to plan future direct mail efforts.

One of the best ways to follow up a direct mailing is making telephone calls. Obviously, if you send out a direct mailing to a hundred people or more at a time, following up with phone calls is not practical. So, some direct mail advertisers send out their direct mail in segments, or waves. They time the waves so that they can follow up with phone calls within two weeks of the mailing.

You will want to sound confident and relaxed when you call. Here are some suggestions that will help:

1. Have some notes in front of you about what you want to cover.
2. Develop an opening statement that will grab the interest of the person you are calling. Do not beat around the bush or the person will lose interest.
3. Record your end of the conversations so that you can critique your technique.
4. Try writing out a two-minute commercial about your business to use if you get a receptive prospective customer on the line. Rehearse your pitch until you can do it smoothly and naturally.
5. If the person you call shows interest, do not use up your entire pitch on the phone. Press for a personal meeting, 5 or 10 minutes long.
6. Be enthusiastic. Smile when you talk, even on the phone.

Follow up your phone calls and face-to-face meetings with a letter or thank-you note, particularly if someone has agreed to send work your way.

Internet Marketing Services

There are various companies that can help you marketing your business on the internet. Many offer a broad range of services to provide you with everything that you need, from SEO and link building, to social media.

If you are having trouble differentiating one internet marketing service from the next, a marketing company can help you identify what will be best for your business.

There are many aspects to online marketing. You may wish to build a website to promote your business or just use web directories or advertising to send clients your way. Depending on what you wish to purchase, you can reach a very broad audience using the internet for your marketing.

The following are some aspects of internet marketing you may wish to consider for your business.

Website Analytics: Getting visitors to your website is the first half of the battle, but turning them into paying customers is the real key to success. This will help you pinpoint the most valuable traffic to your business.

SEO (Search Engine Optimization): Regardless of offsite factors, such as links and social media, your website needs to be correctly set up for search engines to set a strong foundation for the future of a campaign. Coding, design, and keywords all play an important part in getting your company's business in front of potential customers.



Figure 7: Social media is an inexpensive way to promote your business.

Social Media: This is an inexpensive way to get your name out there. Using Facebook, Instagram, Twitter and other social media can help increase business (Figure 7). A positive comment on Twitter from a satisfied customer can go a long way in stirring up new business.

Video: Creating a video to place on YouTube or Vimeo isn't as difficult as you think, and marketing it the right way can make your business seem like an industry expert. Many marketing agencies can help you set this in motion, including idea creation, development, editing, posting, optimization and promotion.

Local Search: With more and more people turning away from the phone book and to online search, local listings are the lifeblood of many businesses. With this website marketing service you can build profiles on local sites such as Yelp and Merchant Circle.

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Publicity and Promotion

Publicity and promotion generally do not cost as much as advertising, but they do require your time. If you hire an advertising or public relations firm or consultant, they can handle publicity and promotion for you. At least, they can suggest how you should handle it.

Some people regard publicity as free advertising. You get mentioned in the media because you or your business is considered newsworthy. Promotion means engaging in activities that benefit the media or the community. Ultimately, this will benefit your business, either by directly

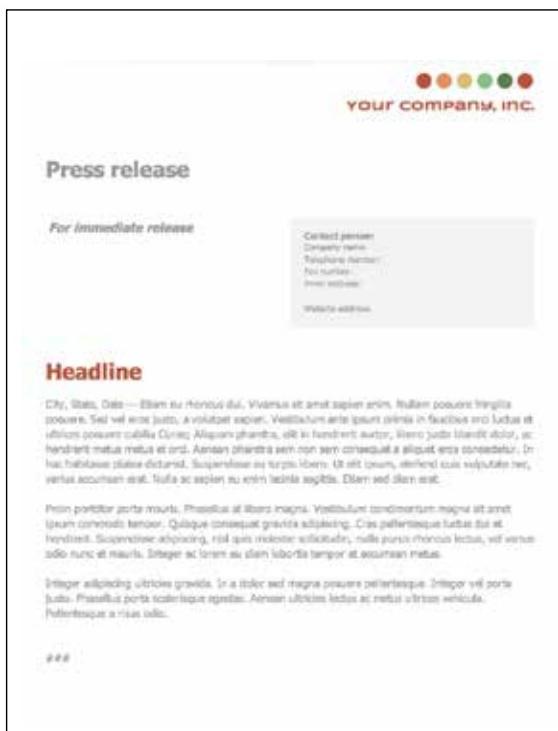


Figure 8: Microsoft Office and similar companies include press release templates in their programs. You can also download a template off the internet from Google and a variety of other sites.

influencing prospective customers or by generating business through publicity.

PUBLICITY

A business gets publicity when the news media feel that providing coverage serves their best interests and those of their readers, viewers, or listeners, as suggested by Figure 8. There is no cost for publicity, but you cannot control it, and it can be unfavorable. It is as likely to focus on a problem, such as a lawsuit, as on an accomplishment. This gives publicity credibility. The fact that the media, rather than your paid ad, is delivering the message makes the message more believable.

Although you cannot control publicity, you can influence it by providing press releases. Find out who is responsible for covering businesses like yours. Let them know of your expertise, and make yourself available to answer questions.

Good publicity is not easy to come by. If there are a lot of other people in your area doing what you are doing, the media may not be interested. In urban and suburban areas, the competition for media attention is fierce. In small towns and rural areas, publicity may be easier to get.

Try to get publicity from the media you already use for advertising or would use for advertising if you could afford it. Other good publicity resources are the shopper guides given away free at supermarkets and shopping centers.

PRESS RELEASES

Press releases are a great way to increase news about your business while reaching a wide online audience. Press releases are sent to a wide range of media outlets to get wide exposure for your business.

A well-written press release is the key to good publicity. When writing a press release, write clearly and simply. Answer who, what, where, when, why, and how in the first sentence or the first paragraph. Press releases vary, but the basic press release should follow these guidelines:

1. Send releases on your business letterhead, which should include your address and phone number. In a block near the upper right-hand corner, type "Contact:" and your name and phone number so that the media can call for more information. Include a number where you can be reached in the evening.
2. Provide information on when the press release is to be used, about 1 in. below the contact information and underlined. Most releases are labeled "For Immediate Release" or "For Release on Receipt." Specify a date or time only when there is a good reason for holding the news: "For Release 9:00 a.m., Wednesday, April 15." When you send a release to only one publication, indicate that two spaces below the release date: "Exclusive to the Daily Press," and underline it.
3. Include a headline to tell editors and reporters at a glance what the story is about. Make it short, no longer than 10 or 12 words, and flush left or centered on the line.
4. Start the text of the release at least one-third of the way down from the top of the page. Leave 1½-2 in. between the release date and the text. Use side margins of at least one inch. Double-space the text to give editors room to edit and to make it easier for announcers to read. Indent the start of paragraphs.
5. Do not use "yesterday," "today," or "tomorrow" in a press release unless you date the press release. You might lead off the first paragraph with a dateline or put the date in parentheses immediately after the first reference to a day: for example, "a prominent small business owner announced today (May 3) that...."
6. Keep it short. Two pages are the limit for most press releases; one page is better. If your release has a second page, center the word "MORE" between dashes or in parentheses at the bottom of the first page. At the upper left-hand corner of the second page, put a "slug line" that identifies the story followed by a dash and "page 2." At the end of the release, center several pound signs (###) immediately after the last line of copy.
7. Proofread every press release you send. Make sure grammar and punctuation are correct.
8. Make sure your originals and copies show dark, crisp letters on clean white paper. If your release has more than one page, make sure copies are collated in order and stapled neatly.
9. Send only one release to each news operation, unless you are told otherwise. If you do not know who to send it to, call and ask.
10. Be available to take calls during the day and evening. Always leave a number where you can be reached.

TELEVISION AND RADIO APPEARANCES

Today, television and radio appearances usually mean talk show appearances. It is easier to get on local radio and television talk shows, particularly on local cable TV shows, than most people realize. Local radio, TV, and cable stations are always looking for new material. But you still need a strategy that addresses three questions:

1. How will your business benefit the community?
2. What is in it for the talk show, the broadcast station, or the cable channel?

3. How will the listeners or viewers benefit?

Will they learn to do something better, more effectively, more economically? Will they be entertained or educated?

Determine which shows in your area are most likely to be interested in the subject you want to discuss, which outlets have formats that fit your message, and which outlets have the audiences you want to reach. This is particularly important when the show is focused on narrow segments of the local market.

Many radio stations have “Tech Talk” formats on the weekends where an expert from professional trades comes in to discuss what they do. This is a great way to promote your business for free.

Also find out how the host handles guests and callers. Is he or she knowledgeable about a variety of subjects? Is he or she polite, or famous for mauling guests and callers?

This information will help you decide which shows you want to try to make an appearance on. Call and ask who books guests for the shows you are interested in. Develop a letter that describes the subject you want to discuss. Explain why you think the subject deserves publicity, and why the audience will find it interesting. If you do not hear anything for two or three days after you send your letter, call. You can stand out from the crowd simply by following up because so many people do not bother.

When you get a talk show appearance, do some practice interviews. Have a friend or associate ask you questions. Identify three key points you want to make about the subject or issue. Practice getting those three points smoothly into the interview. With practice, you will get your points across whether you get two minutes on the air or half an hour.

WRITING ARTICLES

Writing articles has been key to the success of many small businesses. Naturally, the articles should have something to do with your business. Being a published writer gives you a professional edge over your competitors.

There are two ways to get an article published. You can write or call the editor of the publication and ask if he or she is interested in the story you have in mind. Or you can write the article and submit it with a cover letter. Either way, follow up in a week with a phone call. If the publication is not interested, you can offer the article to another one.

Letters to editors of publications can also build your credibility. Letters to editors deal with subjects that are in the news or are of public interest or concern. Writing a well-informed letter to the editor shows readers that you have expertise in the subject area you are writing about.

When you get an article or letter published, make photocopies to send out as part of a direct mail package or with your responses to inquiries.

BLOGGING

You might consider starting a blog to promote your business, or to share your thoughts on a subject that you love? Blogging is either free or inexpensive, and you can get started in moments by creating a blog on a site like Blogger or WordPress.

If you’re going to write about something regularly and keep your blog fresh with new information, then you need to write about something that stokes your passion.

While you want to know your broad subject area, you need to focus your blog so that it has a clear purpose (Figure 9). Here are some ideas for ways that your blog can connect with your intended audience:



Figure 9: A blog is a great way to discover a new audience and get your business noticed.

- **Teach something.** If you're passionate about a particular subject, and you have a lot of experience in that area, then you have a lot to offer both people who are new to the subject and others who are as experienced as you are.
- **Provide the latest news and trends.** Write about the latest developments related to your topic. You want to be someone who's viewed as the ultimate insider so that you can grow your reader base.

Take a look at other blogs on your topic to see what other people are already doing. What you have to offer that is different from what other people are already doing? Focusing on your specific area of expertise will give your blog an angle that distinguishes it from your competitors.

Research keywords related to your subject to help people find your blog. Go to a site like the Google Adwords Keyword Tool.

Decide where to create and host your blog. Blogger and WordPress are two of the most popular blog creation sites on the Web.

TEACHING COURSES AND SEMINARS

Teaching courses in an adult education program or at a community college or university can lead to customers and business. Teach a night course in your area of expertise, since that is when most adults are likely to be continuing their educations.

Giving a seminar, or helping with one, is another way to increase your contacts. Some small business owners actually organize seminars to promote their businesses. But if you do not want to get involved in the organization and administration details, contact a local community college or university. They will do the detail work and you can give the seminar.

NETWORKING

Networking is a promotional technique that has been around for hundreds of years. Networking is using one-on-one contacts with other people to generate new business. The contacts do not

have to be with potential customers; they can be with people who are in a position to recommend your services to others. And they can occur at any time.

Many business owners overlook networking. But the most successful business owners create opportunities for networking by taking part in social and business activities. They join organizations and mix business with pleasure at social events.

Groups as diverse as the Chambers of Commerce, Kiwanis and Rotary clubs, fraternal organizations, and civic associations can provide you with excellent networking opportunities. Membership in these and other professional organizations also offers chances to promote your business in other ways. When you attend meetings, have your business cards ready to hand out. If this sounds too pushy for you, remember that networking is not selling. It is meeting people, establishing relationships, and finding out if people are in the market for your services. Selling comes later.

Through memberships and other networking opportunities, you will meet people who are in your field. Establish relationships with your competitors. Let them know you are available to handle their work overloads. You will also meet owners of other, non-competing businesses. Find out who the good ones are, and offer to recommend their services if they will recommend yours. Give them your business cards and brochures and get some of theirs.

SPECIALTY PROMOTIONS

Inventive people are continually coming up with new ways to promote their business. Specialty promotions include trade shows, premiums and giveaways, joint promotions, tie-in promotions, contests, displays, and sponsorship of special events. Whether you should get involved depends on whether the promotions are appropriate for your business, your customers, and the cost. Sponsoring a dunking booth at a neighborhood carnival, for example, probably would not generate any business and would not help your business image. But sponsoring a dunking booth at the chamber of commerce bazaar to raise funds for the local hospital could boost your business and give you a lot of chances to network.

PRO BONO AND VOLUNTEER WORK

Closely related to specialty promotions is pro bono and volunteer work. Pro bono is short for pro bono publico, which is Latin for “to benefit the public.” By giving your time to benefit the public good, you not only serve your community, you also create an image of a public-spirited business.

You can donate time or material to a popular community project, work in the local United Way campaign, or sponsor the high school football team and put your business name on the back of their uniforms.

NOTES

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Introduction to Small Business Record Keeping

Everybody keeps business records, although they may not realize it. Take, for example, buying groceries. First you make a list of what you need. Then you go to the store and find the items on the list. At the checkout counter you pay for your groceries and record the information onto your checkbook register. Back home, you may even record the amount you spent in a budget book.

Although you may not be aware of it, these simple actions are keeping a type of business record. You are actually bookkeeping; that is, maintaining a record of certain accounts and transactions. Not only that, the bookkeeping you have

been doing all your life is the same in practice and intent — if not in detail — as the bookkeeping you will do for your business.

You should begin keeping business records the first day you start your business. One reason to keep business records from the start of your business is to keep track of money. Business records also give you information for planning, preserve the data you need to get tax credit, and help you meet income tax requirements.

Business records help you chart the course of your business. Without carefully kept records, you will not know how your business is doing today. And if you do not know that, you cannot plan for tomorrow.

The best way to keep business records is to develop a useful and effective record-keeping system that tracks all of your finances. There are two things your financial record-keeping system should track: *income* and *expenses*, or what comes in and what goes out. The system you choose should be simple. Otherwise, you will not develop the habit of using it. It should also be accurate and relevant. Accurate means free from errors. Relevant means recording only what you need to record. We will get down to details later in this lesson, but here's a quick overview of income and expense records.

Cash vs. Accrual. There are two types of accounting methods: cash and accrual. The cash method records income when it is actually received — when the money is available for your use. Income is received when it is credited to your account or when it is set apart in any way that makes it available to you. You do not need to have physical possession of the cash. For example, dividends or interest credited to your account by a bank is income, even if you do not remove it in cash. Using the cash method, you deduct expenses when they are paid.

The accrual method records all income due and received and all expenses incurred whether they are paid or not. Both credit and cash transactions are recorded when made, even if you do not receive the cash.

If you have a sales and manufacturing business or a service business that sells products or materials, the law requires you to use the accrual method. If you have no inventory, you can choose either method. Once you choose a method, you cannot change it, except with approval from the Internal Revenue Service (IRS). We will discuss accounting methods in more detail later in this lesson.

INCOME RECORDS

Income records help you keep track of money that comes into your business. The types of records you need depend on the kind of *income you collect*. If you sell products, you need a Sales Journal or Cash Receipts Journal. Cash receipts are amounts you actually receive, either as cash sales or as checks paid to you by your clients. If you offer a service or extend credit, you need an income ledger or an Accounts Receivable Ledger. Accounts receivable are simply amounts owed to you for services or goods that you have sold. For every transaction, record the date, a description of the transaction, the client's name, and the amount received or owed.



Figure 1: Keeping good records can help you plan for the future growth of your business.

EXPENSE RECORDS

Expenses, or disbursements, include all money that goes out of your business. In general, try to pay everything with a business check, except for small items that you can pay for out of a petty cash fund. Always list the date, check number, amount, and purpose of each disbursement. Categorize your expenses so that you will be ready for the tax season. It's easy to use a debit card to make your purchases but be sure to keep an accurate record of your spending and be sure to get a receipt for all business related purchases.

ACCOUNTING PERIODS AND METHODS

When filing your business taxes you must choose your accounting period. The accounting period is the fixed period during which you calculate yearly income. The calendar year is the natural choice of most business owners, although some business prefer to use a fiscal calendar, which sets the date on a specific day/month and goes through a 12-month cycle, for example June 1, to May 31. Fiscal years vary between businesses and countries. The fiscal year may also refer to the year used for income tax reporting.

OTHER USEFUL RECORDS

There are several other records you should consider keeping, such as records of all tax and loan payments and all merchandise you purchase for resale purposes. It is also a good idea to keep financial statements. Financial statements are not required by law or for tax purposes, but they provide a record of basic financial information that can help your business prosper.

Financial statements are simply summaries of your financial condition. The two most important summaries are the income statement and the balance sheet. The income statement, sometimes known as a profit and loss (P&L) statement, shows the sources of income, the costs and expenses, and the profit or loss.

A balance sheet, also known as a statement of assets and liabilities, is a listing of your assets, liabilities, and net worth at any given time. Assets are everything your business owns and include current and long-term assets. Current assets usually include any asset that will be used or sold in the normal course of a business year, such as accounts receivable, inventory, and cash. Long-term assets are holdings that your business intends to keep and use for a year or longer. They can be financial assets, such as stocks, bonds, and savings accounts, or capital assets, such as real estate, equipment, and cars.

Liabilities are amounts that you owe. Short-term liabilities are any notes and loans due within one year, unpaid taxes, and tax penalties. Long-term liabilities are obligations payable in more than one year. When you compare the difference between your assets and liabilities, you arrive at the net worth of, or your equity in, your business.

ELEMENTS OF A GOOD RECORDS SYSTEM

Common sense will tell you what to put in your records system. You want to spend most of your time building your business, not putting down numbers in rows. So first of all you want your records system to be simple. You want it to be easy to set up, easy to keep, and easy to understand.

Your business's financial health depends on your ability to keep it organized, up-to-date, and legal. The Small Business Administration says that "an adequate records system helps increase the chances of survival and reduces the probability of early failure." You need a records system that is accurate and consistent, one that immediately gives you the information you need.

You will sometimes need to prove that your records are correct. A good records system maintains a paper trail of invoices and receipts. It shows what money went where, so that you can substantiate tax deductions and insurance claims.

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What Records Do You Need?

By business records, most people mean bookkeeping records. In this lesson we will look at bookkeeping as it applies to you. Bookkeeping basically works the same for all businesses, large or small. For small businesses, bookkeeping is simple and straightforward.

You will also need to keep insurance records and operating records. The particular records you need to keep depend on the type and volume of business you do.

BOOKKEEPING RECORDS

Bank Account. One of the first things you need to do when you go into business is open a business bank account. If you pay all of your business expenses by check (except for petty cash) and deposit all cash receipts, your check register will be a valuable record (Figure 2). Check entries will show the check number, the date, who received the check and why, the amount paid, and the running bank account total. Deposit entries will show the date, who it was received from, the amount, and the running bank account total. Your deposit slips are an important part of your income paper trail.

To avoid confusion with your personal finances, it is a good idea to use an employer identification number (EIN) instead of your social security number for the taxpayer ID required on your business account. To get your EIN, call the nearest IRS office and ask for an IRS Form SS-4, Application for Employer Identification Number. You can also apply online at <https://sa2.www4.irs.gov/modiein/individual/index.jsp>. You do not have to employ anyone to qualify for an EIN. Your EIN should be mailed to you within two to four weeks.

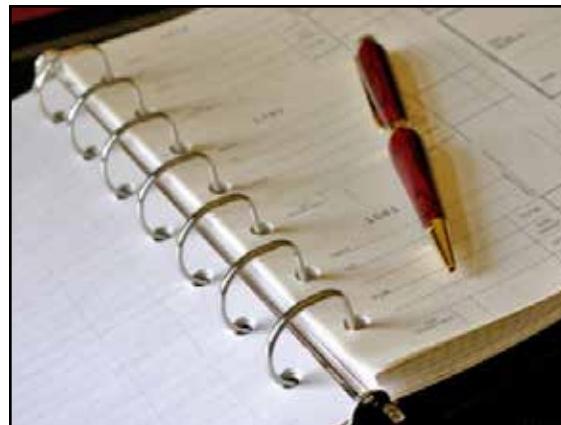


Figure 2: A business checkbook can help you keep track of your expenditures if you keep accurate records.

Income and Expense Ledgers. You will need ledgers for recording your income and expenses. A ledger can be a pad with the pages divided into columns, such as the one shown in Figure 3. You can buy them bound or keep them in a file folder or loose leaf notebook. They are available from any office supply store.

Income is every dollar and penny your business earns, from fees charged clients, interest on cash in the bank, and any other earnings. The key word is earnings. Funds obtained through a loan, any contributions of funds by yourself or an investor, insurance recovery for a loss, or similar funds are not business income. You should make a note of non-income funds in your income ledger and clearly distinguish them from income.

Expenses are incurred by your business for ordinary, necessary, and reasonable expenditures. Ordinary means that such expenses are common in your kind of business. Necessary, according to the IRS, means that “they are appropriate and helpful in developing and maintaining your trade or business.” Reasonable means any expense that meets the three conditions mentioned: incurred by your business, ordinary, and necessary.

Figure 3: Make a note in your income ledger of all income.

Figure 4: You should keep an expense ledger for ordinary, necessary, and reasonable expenses.

Figure 5: Record an account receivable for every invoice or bill you send out.

Figure 6: An accounts payable ledger will help you keep track of money that you have committed to pay.

Some expenses are not considered legitimate business expenses. One example is money you take out of your business for your own use, called a personal draw. Another example is any mixed business and personal expense. Only the business part can be entered as an expense. A sample expense ledger is shown in Figure 4.

Accounts Receivable. Every time you send out an invoice, or bill, to a customer for payment, you need to record an account receivable. The entry should show the date sent, to whom sent (with account number if applicable), the service performed, and the payment due date. The accounts receivable ledger, such as the one in Figure 5, should also have a running total so that you can tell at a glance what money you will have coming in.

Accounts Payable. If you pay all your bills as they come in, you will have no accounts payable to record. But if you have bills you hold until their due date or until customers' payments come in, or if you have many bills to pay, you need to create an accounts payable ledger, such as the one shown in Figure 6. An accounts payable ledger will help you keep track of money that you have committed to pay and that is not available for spending. The accounts payable ledger will list when the bill is due; to whom you owe the money, and how much you owe. This ledger also includes a block for indicating when you issued the check.

Petty Cash. For most small businesses, it is a good idea to set up a petty cash fund to pay for purchases under \$25. To keep a record of petty cash withdrawals, cash a business check made out to "petty cash" at your bank. Keep a pad in a lockbox with the cash and enter each withdrawal of cash, with its purpose, on the pad. In addition, keep a cash receipt or signed petty cash voucher (these forms are available in most office supply stores) in the box for each withdrawal.

OTHER RECORDS

Insurance. If your business maintains one or more insurance policies — liability, accident, health, or casualty (fire or theft) — you should keep a list showing the insurance company, policy number, coverage, premium amount, and premium due date for each policy.

Operating Records. Operating records include files you must keep, job orders and forms, and lists of customers and prospective customers. The operating records you keep depend on what you do with your business. Follow this rule of thumb for keeping operating records: If you think you might need it down the road, keep it. A standard business journal, available at office supply stores, comes in handy for marking down miscellaneous facts and figures (Figure 7).

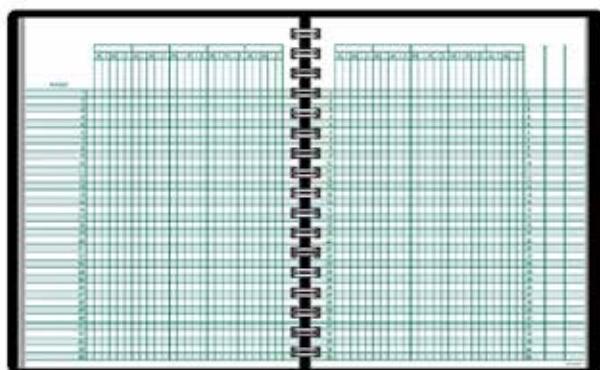


Figure 7: A standard notebook works fine to keep track of miscellaneous expenses but a 'bookkeeping records' book is better to keep your records organized.

Setting Up a Bookkeeping System

This section covers some simple bookkeeping systems you can set up for your new business. We will look at the differences between cash and accrual systems, at setting up simple charts of accounts and ledgers, and at the business reports you will need to produce for your new business.

CASH VS. ACCRUAL SYSTEMS

Many small service businesses keep cash books rather than use an accrual system. In business bookkeeping, cash means checks, checking accounts, and currency. Keeping cash books means that you record expenses when you pay them and that you record income when you receive payment. Cash accounting is the easiest

bookkeeping method for small businesses that offer services instead of merchandise kept in stock.

Accrual accounting provides a more accurate financial picture for firms with a heavy cash flow. Expenses are entered in the books when they are incurred, and not necessarily when they are paid. Income is entered as it is earned, often even before the customer is billed. If you were operating a sales or manufacturing business or were keeping an inventory of merchandise for resale, IRS rules probably would require you to use the accrual method.

Since most small businesses use a cash accounting system rather than an accrual system, this lesson deals with cash accounting. One caution: Once you adopt a cash accounting method, you will need IRS approval to change to the accrual method.

Chart of Accounts. You will need to set up a *chart of accounts*, which is simply a list of account categories. Figure 8 is a sample chart of accounts. In cash accounting, you use the chart

The screenshot shows a software window titled "Account". The main area is a table with columns: Account #, Description, Code, Type, and Sub Account of. The rows list various account categories, each preceded by a "Select" button. The data is as follows:

Account #	Description	Code	Type	Sub Account of
Select 1010	Cash	A1	Asset	
Select 1020	Cash Savings	A1	Asset	
Select 1030	Petty Cash	A1	Asset	
Select 1110	AR Trade	A2	Asset	
Select 1130	Work in Progress	A2	Asset	
Select 1140	Inventory	A2	Asset	
Select 1210	Office Furniture & Equipment	A2	Asset	
Select 1220	Accum. Depreciation - Office F/E	A2	Asset	
Select 1910	Suspense	A2	Asset	
Select 2010	Client Deposits	B1	Liability	
Select 2020	Client Retainers	B1	Liability	
Select 2030	AP Trade	B1	Liability	
Select 2040	Sales Tax Payable	B1	Liability	
Select 2050	Prepaid Tax	B1	Liability	
Select 2110	Loan Payable	B1	Liability	
Select 3010	Owner's Equity	C1	Equity	
Select 3110	Retained Earnings	C1	Equity	
Select 3210	Net Profit or Loss	C1	Equity	
Select 4010	Sales Furniture	D1	Income	
Select 4020	Sales Wallcovering	D1	Income	

Figure 8: Sample shown is standard chart of accounts from a computerized bookkeeping program, you can easily create your own chart of accounts on ledger paper if you prefer not to use a computerized system for your record keeping.

Acme Services Expense Ledger January 19XX				Initials	Date
		1	2	3	
DATE	PAYEE + PURPOSE	ACCT NO.	CHECK NO.	AMT.	
1 4	U.S. Supply, Inc.	29	165	40-	
2 14	QPBBC - Ref. Schematic	30	166	3449	
3 14	NIBS - Health Insur.	26	167	14721	
4 14	C+P Telephone Co.	23	168	5397	
5 17	Chamber of Commerce	26	170	79-	
6 1 31	Parking	22	Petty Cash	4085	
7 1 31	Copies	21	Petty Cash	2480	
8 1 31	Pay phones	23	Petty Cash	475	

Figure 9: If you choose a cash accounting system, set up your expense ledger as shown here.

of accounts to classify expenses and income. You will set up some accounts (such as automobile expenses and entertainment) because you will need to report these expenses separately on your tax returns. You will set up other accounts (such as administrative expenses, utilities, or periodicals) so that you can keep track of business transactions and measure your progress.

The sample chart of accounts shown in Figure 8 probably has more expense categories than you will need. You can eliminate some categories and combine or rename others to suit your particular business.

Keeping Simple Ledgers. With your chart of accounts set up and each account numbered, you are ready to set up your expense and income ledgers. You can use a two-column pad, or you can buy simplified bookkeeping records, with ledgers already set up, at an office supply store.

If you set up your own expense ledger, write your business name at the top of a sheet, "expense ledger" on the next line, and the month and year on the next, as shown in Figure 9.

Mark the first column "Date," and mark the second, extra-wide column "Payee & Purpose" and "Acct. No." Mark the next column "Check No., " and the next "Amount." Each time you pay a bill, enter the information in its column. Under "Acct. No., " put the expense category number for each expense.

On your income ledger, write your business name at the top, "income ledger" on the next line, and the current period on the third line, as shown in Figure 10.

Mark the columns "Date," "Payor" or "Received From" and "Acct. No., " "Invoice No." (you may prefer not to number your invoices), "Amount," and "Year-to-Date (YTD) Total." As each payment comes in, enter the information in the appropriate column.

You will have to decide whether to categorize your receipts by job type or by client. Whichever method you choose, each account or category should be assigned its own account number. If you choose to categorize your income by customer, put the customer's account number in the

Acme Services Income Ledger Jan. 1, 19XX - March 31, 19XX						Initials	Date
			1	2	3		
INVOICE							
DATE	RECEIVED FROM -	ACCT. NO.	NO.	AMT.	YTD TOTAL		
1 9	AGHI	43	012	4024-	4024-		
1 11	J. DOE Associates	41	004	400-	4424-		
1 16	DCI	44	020	175-	4599-		
1 19	D. Elprin	45	501	500-	5099-		
1 20	J. DOE Associates	41	005	425-	5524-		
1 24	American Supplies	46	021	200-	5724-		
2 10	D. Elprin	45	022	1100-	6824-		
8							

Figure 10: Set up your income ledger as shown here.

Acct. No. column. If you choose to categorize your income by job type, put the job-type account number in the Acct. No. column.

REPORTS

At the beginning of this lesson, we mentioned why it is important to keep business records: to keep track of money, to give you information for planning, to preserve the data you need to get tax credit, and to meet income tax requirements. To put the information into a usable form, you prepare reports based on the ledgers and your petty cash log. The most important bookkeeping reports you prepare will be the income statement, balance sheet, and summary of expenses by account.

An income statement, such as the one shown in Figure 11, summarizes your income and expenses for a given period. The difference between your income and expenses is called your before-tax income, before-tax profit, or loss.

A balance sheet, such as the one shown in Figure 12, lists business's assets (including equipment and real estate) and liabilities (outstanding bills and long-term debts). Assets are usually listed in the order of liquidity, or how quickly an asset can be turned into cash. The difference between assets and liabilities is owner's equity, also called capital or net worth. Both income statements and balance sheets will be important to bank loan officers or investors when you apply for credit.

A summary of expenses by account is to show where you are spending your money. This summary lets you see where you need to cut back and where you need to spend more. It also contains information you will need for preparing your income tax return.

Summary of Expenses by Category. You also need to summarize your expenses by category to check against your budget. This comparison is useful for estimating income taxes, for tracking where your money goes, and for planning your business's future. In your expense ledger,

Acme Services Income Statement 1st QTR 19XX			Initials	Date
	1	2	3	
1 Income			Jan.	Feb.
2 Client Fees	612350	5040	—	700150
3 Interest	1281	111201	—	1326
4 Referrals + Misc.	7—	—	—	4611
5	—	—	—	—
6 Total Income	614331	505201	—	706087
7	—	—	—	—
8 Expenses (from Expense Summary)	256270	300906	—	299693
9	—	—	—	—
10 Income Before Taxes	358061	204295	—	406404
11	—	—	—	—

Above - Figure 11: An income statement summarizes your income and expenses for a given time.

Acme Services Balance Sheet Dec. 31, 19XX		
1 Assets		
2 Cash in checking account	751851	
3 Cash in petty cash	16452	
4 Cash in CD		
5 (matures June 15, 19XX)	516114	
6		
7 Accounts Receivable	463450	
8		
9 Office Machines (depreciated)	2201173	
10 Office Furniture (depreciated)		
11 Reference Schematics	6051—	
12		
13 Total Assets	2335550	
14		
15 Liabilities		
16		
17 Accounts Payable	17701	
18 Credit Card Outstanding	26562	
19 Bank Loan (line of credit)	3000—	
20		
21 Total Liabilities	372263	
22		
23 OWNER'S EQUITY	1963287	
24		
25 Liabilities + Equity	2335550	
26		
27		
28		
29		
30		

Figure 12: You will ordinarily prepare a balance sheet every year and whenever necessary for loan applications and investor reports.

you should assign each expenditure an account number indicating whether the expense is for administration, advertising, rent, utilities, or some other category, as shown back in Figure 4. Then, you should regularly add the expenditures for each category and record the totals in your summary of expenses by account. Details on how to keep these records are laid out later in this lesson.

SETTING UP A BOOKKEEPING SCHEDULE

Your bookkeeping schedule will include tasks you perform continuously, daily, or nearly daily. There will also be monthly, quarterly, and annual tasks.

One continuous record-keeping task for many service businesses is time-keeping, as shown in Figure 13. If you charge for your services by the hour, you should keep precise time-use records. Many firms prepare forms for recording staff time in 15-minute increments. Some small businesses record time less formally on appointment calendar forms. For all your work, you should record the date, time of day, task or service, and customer.

Depending on the volume of your transactions, you will need to file receipts and pay bills continuously, daily, or at least often enough that they do not pile up. A receipt filing system can be as simple as a series of envelopes labeled by month.

If you do not receive many bills, you can pay them as they come in. If your business has many credit accounts, you may want to delay paying bills until they are due. One common method is to prepare a set of folders, with one folder for each day of the month, and file bills according to their due dates.

Another daily, or near daily, chore is to maintain your ledgers. Expenses paid out and income received should be entered at the time of the transaction. Monthly tasks include summarizing expenditures by account and reconciling your checking account.

SUMMARY OF EXPENSES BY ACCOUNT

To summarize expenditures by account, prepare a sheet, such as the one in Figure 14, with columns headed: "Acct. No.," "Account Name," "Amount," and "Total YTD." In the "Acct. No."

Department No. Rep. Code Emp. Type Available Leave Balances					Schedule	Pay Period Hours				Start	End										
12	01B	1			9/60 Friday Off	27.00	09.00	36.00	4/17/2005	04/30/20											
#	Fund	Activity	Project	Detail Task	Pay Code	Hours	Sun 4/17 OFF	Mon 4/18	Tue 4/19	Wed 4/20	Thu 4/21	Fri 4/22	Sat 4/23	Sun 4/24 OFF	Mon 4/25	Tue 4/26	Wed 4/27	Thu 4/28	Fri 4/29		
1	214	768	45	251	0	15.00	05.00	05.00	05.00	05.00	05.00	05.00	05.00	05.00	05.00	05.00	05.00	05.00	05.00	05.00	
							start time:														
							stop time:														
2	214	2987	300	1202	010	12.00	04.00	04.00	04.00	04.00	04.00	04.00	04.00	04.00	04.00	04.00	04.00	04.00	04.00	04.00	
							start time:														
							stop time:														
3							start time:														
							stop time:														
1						09.00															
2																					
3																					
DAILY TOTALS												09.00	10.00	09.00							

Figure 13: Keeping accurate record of your time is an important file to keep.

Acme Services			
Summary of Expenses by Account			
May 19XX			
	1	2	3
ACCT NO.	ACCOUNT NAME	AMT.	TOTAL YTD
1	21 Administration + Acctg.	24.90	1001.20
2	22 Auto; mileage, parking	651.10	1877.08
3	23 Telephone	474.74	759.06
4	24 Postage + Delivery	106-	216.22
5	25 Entertainment		
6	26 Professional Fees	55-	196.27
7	27 Dues + Subscriptions	244.77	726.57
8	28 Referral Fees	162-	620-
9			
10	29 Office Supplies	84-	504.72
11	30 Research + Training	752.40	1927.23
12	31 Development + Advertising	7.89	500.19
13			
14			10002.54

Figure 14: In your expense ledger, assign each expenditure an account number that indicates its account category and amount. Then add the expenditures for each account and record the totals in your summary of expenses by account.

column, list all your expenditure accounts by number. In the "Account Name" column, list all the accounts by name. Then, for each account, add all the expenditures charged to that account from your expense ledger and from your petty cash log and enter the total for the month. Add each account's monthly total to its year-to-date total. The sum will be the immediate past month's year-to- date total. Enter this number for each account in the Total YTD column.

BANK RECONCILIATION

Follow these steps to reconcile your checking account statement:

1. Compare your bank statement to your check register, and check off each transaction recorded on the bank statement in the check register.

2. On a pad with columns, enter the final balance shown on the bank statement.
3. Add to this figure the amounts of all deposits or other credits shown in your check register that are not on the bank statement.
4. Subtract the amounts of all checks and other debits shown in your check register that are not on the bank statement.
5. Compare the figure with the final balance shown in your checkbook.
6. If they do not agree, check for overlooked items and mistakes in arithmetic.

Most banks provide reconciliation worksheets on bank statements. They also offer assistance when your records and the bank's records do not agree.

INCOME STATEMENT

Depending upon the volume of your business, you will prepare an income statement quarterly or annually. For a service business with no merchandise inventory, the income statement is simple. You simply list all your income and deduct your expenses. Anything left over, after subtracting taxes, is net income. You will need the income statement, along with your balance sheet, to apply for credit or a loan at a bank or other lender.

BALANCE SHEET

A balance sheet discloses your business net worth by summarizing your assets (cash on hand, accounts receivable, investments, and property) and your liabilities (accounts payable and debts). The value of your assets minus your liabilities equals your business's net worth, or owner's equity. Your banker or prospective investors need to know your net worth to decide whether or not to loan you money or invest in your business. Ordinarily you will prepare a balance sheet every year and whenever you need one for loan applications or investor reports.

The traditional way to prepare a balance sheet is to list items on each section of the ledger — the asset section and the liability section — in order of liquidity. Thus, under assets, cash goes first, readily available investments second, long-term investments third, and personal property and real property last. Next, list liabilities in order of immediacy, from most pressing to least. List bills due tomorrow before credit payments due next month, which come before loan payments due every quarter, and so forth.

If you have used property as collateral to borrow money, the cash from that loan and the full value of that property appear on the asset side of your balance sheet. The outstanding balance of the loan appears on the liability side.

SOCIAL SECURITY AND INCOME TAX REPORTS

Most small service businesses operate as sole proprietorships. This means that you simply set yourself up as the business. When you work for someone else, your employer deducts social security payments and withholds part of your income to pay federal and state (and sometimes local) income taxes. Now that you are in business for yourself, you will need to set aside money to pay your taxes. If you need help, you can get forms for estimating your income and self-employment taxes from your local IRS office. Be sure to note that estimated taxes are due several times throughout the year. The bookkeeping method described here will provide you with all the data you need to prepare your annual income tax return.

HOW LONG SHOULD YOU KEEP RECORDS ON FILE?

You should file and keep all your accounting records and supporting documents (the paper trail) for at least five years. You will need records from the last three years if the IRS questions your returns. You will need records from the last five years to assess your business development and to plan its future.

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Computer-Aided Bookkeeping

Small businesses usually rely on personal computers to keep their books — either their own computer or an outside bookkeeper's. A computer can perform multiple bookkeeping tasks for the small business, from keeping the general ledger to tracking inventory. A computer cannot take over the bookkeeping tasks for you, but it simplifies the process and makes it easier for the inexperienced bookkeeper.

If you plan to use a personal computer to keep the books for your business, there are a number of bookkeeping software packages on the market. It is a good idea to choose simplified bookkeeping and accounting software designed for service business bookkeeping. Software designed for non-accountants who keep their own books may be best. Some examples are Quicken or QuickBooks, both which offer all the components you need to keep accurate records. Keep in mind, just because the software says it can keep accurate records, YOU must be sure to enter accurate information for the information to be accurate.

When shopping for a bookkeeping software package, look for one that uses everyday language, rather than accounting jargon. If the program uses language and terms that you do not understand, you will not fully benefit from it. The program's displays should look like real bookkeeping forms and documents. For example, the check-writing screen should look like a regular check and the check-register screen should look like the register you keep manually. The more familiar the items in the program are to you, the quicker you can start using that program to keep your company's books.

There are many simplified accounting programs on the market, and one of these is probably sufficient for your small business. However, for the more experienced bookkeeper, spreadsheets and database programs can be useful. These kinds of programs can be customized to fit your business needs, but they require a greater knowledge of accounting procedures.

DATABASE MANAGEMENT

While the term "database management" sounds technical, it is really quite simple. Database management is a fancy term for making lists. Although the word "database" did not appear in print until the 1960s, when it first made its way from the computer room into the dictionary, the idea has been around a long time. A database is information organized for rapid retrieval.

Using this definition, can you think of a database you can hold in your hand? What about the phone book? It organizes information the same way a computer database organizes information. It lists individual entries of telephone subscribers and gives information related to each entry: last name, first name, address, and phone number.

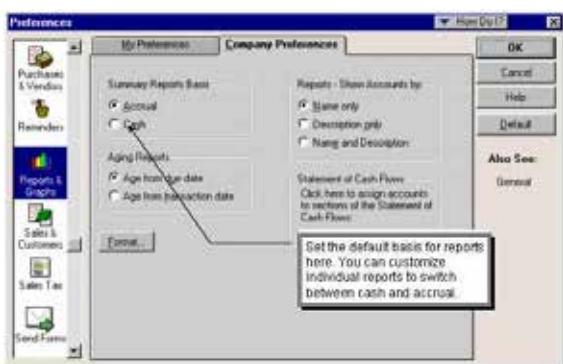


Figure 15: An example of a Quicken window where you can choose from a Cash or Accrual accounting system.

A computer database is nothing more than a set of files that stores items of information in groups. It is the principle of the telephone directory applied electronically. Of course, a database can be a lot more complicated than a simple listing, depending on how much information is stored and what the user wants to do with the information.

The telephone directory lists a few items of information for each entry, and each entry is sorted by last name. Because it is printed media, you cannot change it or add to it and you cannot use it if you do not know the last name or business name of the entry.

A database program, on the other hand, can take the same information that is listed in a telephone directory and sort it, list it, and break it up into big or little groups. Each main entry could be associated with other items, and each of those items could have items associated with it. The program can then be instructed to sort one, some, or all of the main entries by any of the associated items. You could, for instance,

sort by the first name "Fred" to search for your friend's number. If you knew the town he lived in or the name of his street, you could sort by Fred and the town or street to further narrow the search.

With every electronic database, you can do certain basic things: enter information (input), change information (update), look at information (query), and print reports (output). At the telephone company, they input your name, address, and phone number in the telephone directory database when you first get your phone installed. When you move or change your number, the phone company updates your entry. Once a year, they output a new report and drop it on your doorstep. Although you might not think of it this way, when you look up the number for a plumber in the Yellow Pages, you are querying a database.

In a typical computer database, the program manipulates information stored in data files. Each file contains groups of information called records. And each record contains individual

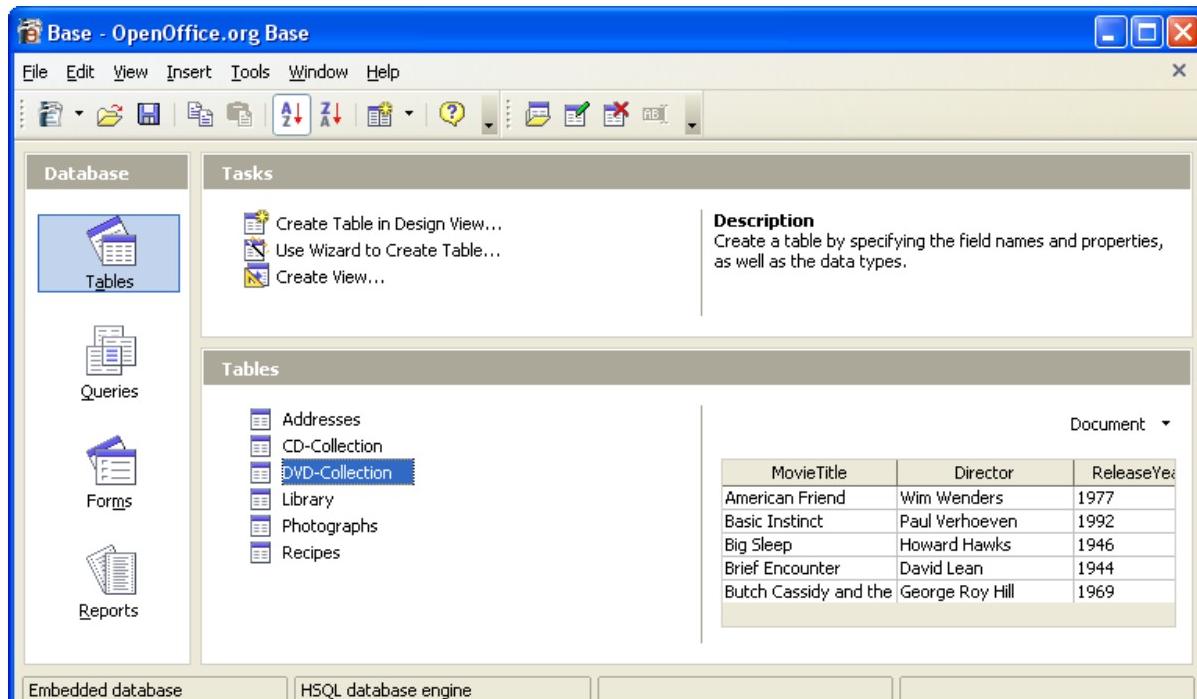


Figure 16: Sample of a simple database created using Open Office.

pieces of information called fields. It works like the telephone directory: the directory contains a group for each letter of the alphabet (files). Each letter group has entries for individual people (records). And each entry contains pieces of information (fields) for each person: name, address, and phone number. A simple database can keep track of who owes the business money and how much or to simply keep track of your DVD collection (Figure 16).

Businesses maintain databases to store all kinds of information. They keep mailing lists of their customers and creditors. They keep records of what, where, and when their salespeople sell. When employees travel for the company, they keep an expense record so that when they get back, they can hand in a copy to be recorded in the sales database. With all this database information, the business can analyze performance: Whom does the company do the most business with? Which day of the week is the slowest business day? What promotional campaign is getting the most new clients? How much is the business getting in return for entertainment expenses?

A computer database management program can help companies answer these questions. By manipulating information in the database, they can turn out reports that display information in different ways. Users can then interpret the information and decide what it means to the company.

Any organization with more than a few employees has to keep payroll and personnel records: hours and pay scale, annual and sick leave, health benefits, and so forth. Many businesses use database programs to maintain their inventory records. Bookstores and bakeries, hospitals and horse farms use computers to keep track of what is in stock, what has been used, and what is on order.

SPREADSHEETS

Computer spreadsheet programs are the number crunchers of the software world. They make tracking money in a business easier and more efficient. As a result, almost everyone in business uses a spreadsheet program of some sort: every manager, bookkeeper, accountant, personnel administrator, small business owner, and anyone else who must keep tabs on time, money, or inventory.

In the past, accounting departments prepared their financial analyses on paper, totaled them by hand or on an adding machine, had them typed up, and then handed the results to the boss — a time-consuming, multi-person task. Today, the average accounting department is more likely to prepare a spreadsheet on a personal computer, print it out, and hand it to the boss — a quick, one-person task.

Spreadsheets are among the most popular and widely used business programs. Companies use spreadsheets to tabulate sales, count inventory in stock, project staffing needs, track accounts payable and accounts receivable, maintain the payroll, and perform many other tasks involving numbers. A spreadsheet program lets you do on computer the same things previously done on paper. A sample spreadsheet screen is shown in Figure 17.

A spreadsheet works this way: The program displays a blank grid form full of cells. A cell can contain a number, label, or formula. The cells are arranged in columns and rows. Into each cell you can enter a number to represent a sales figure, a date, a dollar amount, a number of parts in inventory, and so on. A cell can also contain identifying letters and words, called labels. For instance, you could put labels on the cells across

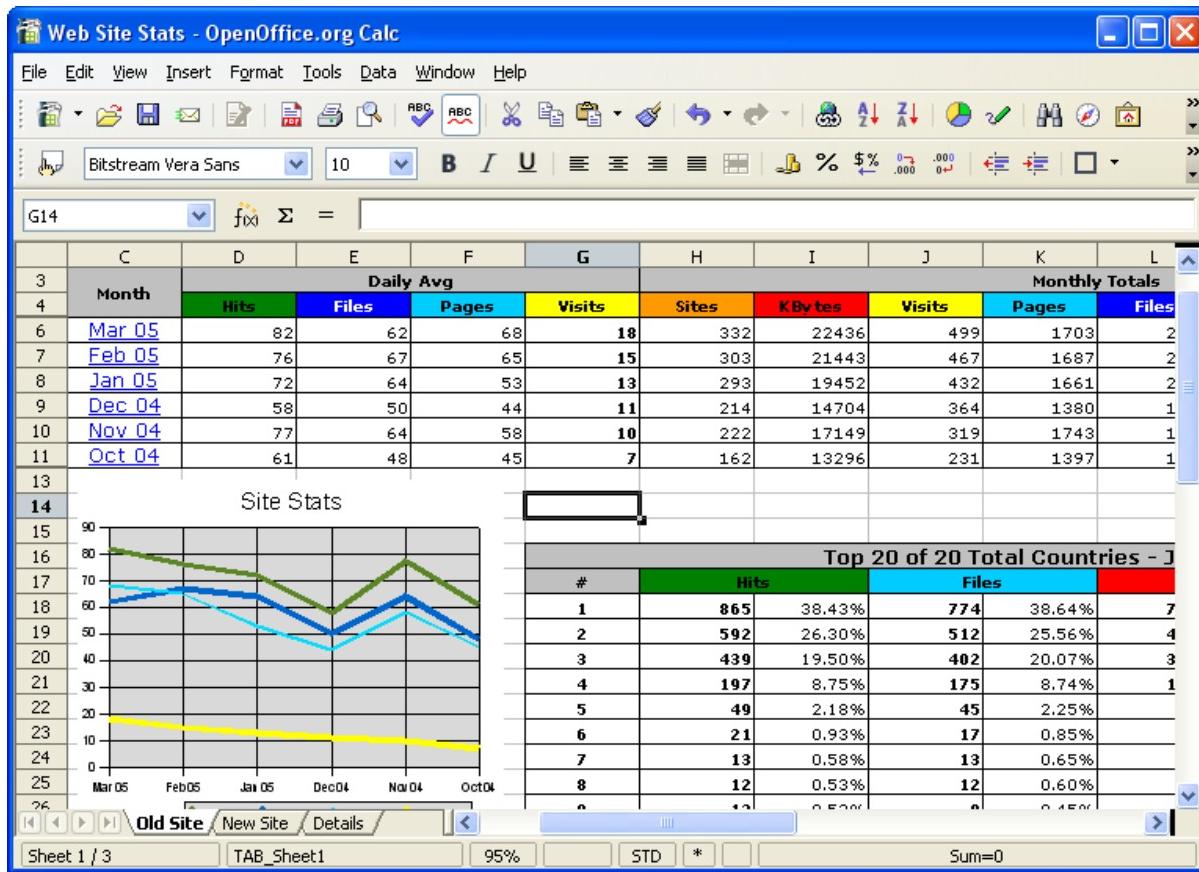


Figure 17: Sample of a spreadsheet created using Open Office.

the top and down the sides, just as if you were making a table on paper. Finally, the cells can contain a formula that performs a mathematical calculation.

The information you enter on the screen goes into a data rue, called a worksheet. The worksheet can be one or more pages long, depending on how much information you put in. The worksheet stores the information and remembers which numbers go in which cells the next time you use it. The program then sets up the spreadsheet and the data file fills it in.

Each cell is identified by its row and column. For example, cell C3 might hold the sales figure for February; D5, the advertising cost for April; and so on. If you were entering the data from written sales records, you would move around on the screen from cell to cell, typing in each entry.

After you enter the information, the program calculates the figures based on the formulas you have provided. For instance, you might tell the computer to add quarterly sales figures by stating that cells M3 = B3 + C3 + D3 and so on.

As you add numbers, change numbers, or move numbers around, the program recalculates the totals for you. Like the computer, the spreadsheet cannot do anything you do not tell it to do. You have to know what you want it to do, and you have to enter that as a formula. For instance, if you want the program to add the numbers in three cells in the A column, you must tell it that A4 = A1 + A2 + A3.

Of course, a formula can be much more complex than this. Depending on the program's capabilities and your expertise, you can set it up to compute percentages and averages, to divide

sales into categories, or to calculate the returns from a direct mailing. Once the formulas and the data are in place, you can tell the computer to calculate, which it does faster and more accurately than a person can.

The computer quickly adds and subtracts, multiplies and divides, takes percentages and square roots, and then prints out a spotless report. All you have to do is enter the data accurately and make sure there's paper in the printer.

Forecasting, Budgeting, and Scheduling. The same sales figures that described what happened last month can be used to predict the sales performance for next month, next quarter, or next year. A spreadsheet program allows you change variables and apply them to the figures to show what would happen under different circumstances. How would a 10 percent reduction in travel expenses affect the budget? If you offer a limited-time discount on a service, how would it affect your income for the following month? The spreadsheet functions can be much more complex than these simple examples indicate.

Similarly, a spreadsheet that maintains a company's inventory can be programmed to perform involved analyses. Which products sell best in the summer months? Which products are chronically overstocked? Which product's stock is running low?

A spreadsheet program can compile the data to answer these questions, and it can give the answers in different forms for different uses. Because accountants use numbers all day long,

a spreadsheet table makes perfect sense to them. But a non-accountant may not have such an easy time making sense of long columns of figures. Fortunately, once a worksheet is complete, a spreadsheet program can convert the data into charts that communicate the same information in a more understandable form. Software graphics capabilities let the user turn a table of data into a bar graph, pie chart, or line chart to make the spreadsheet's data visually interesting as well as easier to understand.

INTEGRATED PROGRAMS

A single program that combines the functions of a spreadsheet, database, and word processor is called an integrated program. The different functions in an integrated program can "talk to each other." For instance, sales records held in the database can be transferred to the spreadsheet for calculation without retying the information. Information from the spreadsheet can then be transferred to the word processor to print a monthly report. Microsoft Office is an integrated program but can be costly. If you don't have the money in your budget for this type of program you can use a freeware program like Apache OpenOffice, (openoffice.org) which gives you the features of a spreadsheet, database, word processing program all in one, without the expense. Fortunately both programs work seemlessly together.

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Working with an Outside Bookkeeper

When you start your business, you will need to decide early on whether you want to keep your own books or hire a bookkeeper. The most common practice for those starting small is to keep your own books. Still, that does not apply to everyone.

HIRE A BOOKKEEPER OR KEEP YOUR OWN BOOKS?

It is important to assess your personality, skills, and business needs realistically. Do you lack the time, the willingness, and the ability to be the bookkeeper for your business? Do you expect to have so much work in your new business that you will be busy all the time? If so, the practical solution would be to stick to your specialty and hire somebody else to keep your books. Do you always put off balancing your checking account? Do you often put off little chores, letting them accumulate until you have one big job of catch-up on your hands? If your answers are yes and yes, you should seriously consider hiring a bookkeeper.

Many new business owners find they have the time to keep their own books. When you know from past experience that you can motivate yourself to do detailed work and that you are organized enough to keep up with the books, you may opt to do most or all of your bookkeeping. Many people get satisfaction from doing the books. It is like keeping score when you are winning the game.

If the business is too big for your bookkeeping ability or if it outgrows your ability, then the decision becomes easy — get outside help.

HOW MUCH SERVICE DO YOU NEED?

A small business, starting slowly, may not require any more expertise than what you learn in this lesson. But if the material discussed here sounds too intimidating, you might want to hire an accountant or bookkeeper to set up your bookkeeping system.

Report preparation is another job for which many business owners hire bookkeepers. Often, business owners maintain their own ledgers and other continuous accounts but leave the number crunching and report preparation, including tax returns, to professionals.

Still others opt for full bookkeeping services. The point is that your choices are not limited to getting professional help or not getting any help at all. You can get as little or as much professional bookkeeping help as you need. The best bet is to discuss your needs with a bookkeeper and then decide how much bookkeeping you will be comfortable doing yourself. If you decide to get outside help in setting up your bookkeeping system or in keeping all of your books, here are some tips for hiring a bookkeeper.

SOME OF THE OPTIONS

It is not necessary to take on all of the work when you decide to be your business head bookkeeper. That is just one of the options. Other options include:

1. Hiring an accountant or bookkeeper to set up your bookkeeping system, then maintaining the books yourself.
2. Hiring a bookkeeper to prepare only your monthly summaries and financial reports.
3. Retaining an accountant or tax adviser to prepare your state and federal income tax returns. You can do this in combination with one of the other two options.

WORKING WITH AN OUTSIDE BOOKKEEPER

The best credential for an accountant is the title CPA. CPA stands for *Certified Public Accountant*, a title granted only to people who have completed the required college training, worked for an accounting firm (or otherwise gained experience in the field), and passed a certification exam. The CPA title ensures that the accountant has reached a certain level of competence.

Accountants who are not certified are called Public Accountants and may or may not be licensed by the state. This does not mean they are incompetent. They may be as skilled as CPAs. Ask for references to be sure you will be satisfied with the work the CPA or PA will provide.

OTHER SOURCES OF HELP

There are other types of professional help for small businesses. Small-business consultants are neither accountants nor bookkeepers but have expertise in running small businesses. They may be professors at your local college who specialize in small businesses or they may simply be people with extensive business experience.

Your local Chamber of Commerce is a good source for small-business information. So is the Small Business Administration. Many local chambers sponsor small business seminars on the topics discussed in this lesson.

WHAT TO LOOK FOR WHEN YOU HIRE A BOOKKEEPER

Choosing professional help for your business is like choosing a doctor or dentist. You start by asking around and getting recommendations. Ask your friends and business associates. Get recommendations from other professionals, such as your insurance agent or banker. Talk to referral services run by state and local professional associations. Avoid picking names out of

the Yellow Pages. You have no idea what kind of product you may be buying.

Here are some important things to consider when you hire an accountant or bookkeeper:

Reputation and Existing Client Base.

Obviously, anyone you choose should have a good reputation among professionals and clients. If someone is recommended to you, ask for a list of his or her clients and then find out if past clients were happy with the work.

Experience and Skill in Your Area.

Small businesses have special bookkeeping needs. Just because your uncle's accountant is great in big business does not mean he knows much about running a small business. Many CPAs specialize and work only with large corporations. Sit down and discuss any prospective accountant's experience with small businesses.

Time and Interest. A professional bookkeeper or accountant should be willing to take some time to get to know your business, your problems, and your future goals. If he or she does not seem interested or just wants to process your work through the firm, find someone else. Of course, a good bookkeeper is in demand and is often expensive, so do not expect hours of conversation. In fact, be suspicious if he or she has "all the time in the world" for you. It may mean he or she does not have many other clients.

Reasonable Fees. Reasonable means neither exorbitant nor suspiciously cheap. Too high may be a drain on your finances but too low might not buy the service you need. A professional bookkeeper or accountant will discuss fees willingly. Accountants usually bill by the hour. Specialized services,

such as tax preparation, sometimes involve fixed estimates.

Philosophy and Style. Remember, you are dealing with a human being, not a computer program. So choose a bookkeeper or an accountant you think you can get along with and who shares your business philosophy.

Make a list of the qualities you are looking for, such as competence, good reputation, and compatible personality. Interview several bookkeepers whose backgrounds suggest they would be suitable. Then, trust your feelings and choose the one you think you can work best with.

Be open with your bookkeeper or accountant. Give him or her access to all your business information and tell him or her every relevant fact about your business. If you form a good professional relationship with your bookkeeper or accountant, you can count on reliable financial advice to help you chart the course of your expanding business in the years to come.



TEST YOUR BOOKKEEPING APTITUDE

- There are no right or wrong answers to this quiz. These questions should help you assess your potential success as your own bookkeeper.
- Do you usually keep effective, up-to-date personal records?
- In your new business, do you expect to have spare time between jobs?
- As you study this lesson on business record keeping, do you feel comfortable with the material?
- Do you like the idea of working with your books and keeping tabs on your business' progress?
- Do you see value in organizing your business and financial information for planning and budgeting purposes?

If most of your answers are yes, you are a strong candidate for handling your own bookkeeping and business records.

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Chapter 5 - Appraising Firearms

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Colt 1851 Revolver

Introduction

Modern collectible firearms is the fastest-growing sector of firearms collecting. Not long ago, collectors concentrated only on antiques and very expensive firearms, limiting ownership of such collections to wealthy people. These days, collectible firearms are not cheap, but the prices are now within the means of thousands of people, rather than just a few.

Condition, rarity, demand, special features, and historical significance all determine a firearm's value. The value is always considered in relation to the condition of other examples of the same make, model, and variation. The condition is determined by the amount of original finish remaining on all parts of the firearm, as well as the condition of the wood.

The gunsmith and gun dealer must know how to evaluate modern firearms as well as collectible ones. Modern firearms are those that are currently used by hunters, target shooters, etc. Once you are able to evaluate most firearm models accurately, further opportunities await you. Attorneys may ask you to appraise firearms for estates. Or insurance companies may ask your assistance in appraising firearms to be insured or for a claim against fire or theft. Many firearm appraisers charge a minimum of \$200 per collection. In most cases, the appraisal can be made in less than an hour. When large collections are involved, or if much research has to be done, the job could take a week or more to complete. In such cases, \$1,500 - \$2,000 is not too much to charge. Online appraisers are available for a fraction of the cost but they base their appraisal on a photograph, not seeing or holding the actual firearm. While there are many reputable firearm appraisers online, you will need to do some research to find one whose appraisal rating is high. Once you know how to appraise firearms, you will also be in a better position to buy and sell used guns in your own shop, or to give a fair trade-in on guns that your customers want to trade for new ones. Consequently, this lesson is designed to acquaint you with the techniques involved in appraising firearms of all types — from antique to modern.

Determining Gun Values

A firearm's true value is not simply what the owner thinks his or her gun is worth. Nor is it the price the seller asks or the amount the buyer is willing to pay. The *true value* is determined when the amount the seller will accept coincides with the amount the buyer is willing to pay. This, and only this, is the true value of any gun.

Demand for collector firearms is constantly increasing, and any gun's worth rises in proportion to the demand for it. Many working guns are also rising in value. Working guns are guns that are used for hunting and target work, not decorative guns to be hung on the wall and never used.

Demand is also influenced by newspaper and magazine articles and by books that describe and classify specific firearms. Some movies have also influenced demand. For example, before the movie *Winchester 73* appeared in the 1950s, few people knew that the "One of One Thousand" Winchester existed. However, after the movie, over 100 of these models turned up, each demanding a price of over \$1,500. Today, the same rifle will bring \$50,000+ or more if it is in good condition.

Gun values also vary from region to region and from dealer to dealer.

Even with the National Rifle Association (NRA) *Standards of Condition* as a guide, it is difficult to appraise or evaluate the general condition and mechanical features of any firearm accurately unless you can examine it personally. Identifications or appraisals by mail or online can be inaccurate and unfair to the owner and the gunsmith who is being asked to identify or evaluate the gun unseen. If the owner is

unfamiliar with firearms, he or she probably will not know if parts have been replaced or altered, or if the gun has been refinished, made up from two or three specimens, or is a rare variation or a transitional type. In correspondence, such points may be overlooked. If you are asked to identify or appraise a gun by mail or online, the most you can do is offer a probable value of the model or type.

Keep in mind that collector values of antique guns tend to rise steeply when the gun falls in the "Fine" or "Excellent" category. This is particularly true of older firearms, which are rarely encountered in top condition. The rarest guns are almost always in worn condition, but this does not severely lessen their value. However, if you find a rare firearm in excellent to mint condition, you could probably retire on the profits from that sale alone! It would be worth at least 10 times the value of the same firearm in worn condition.

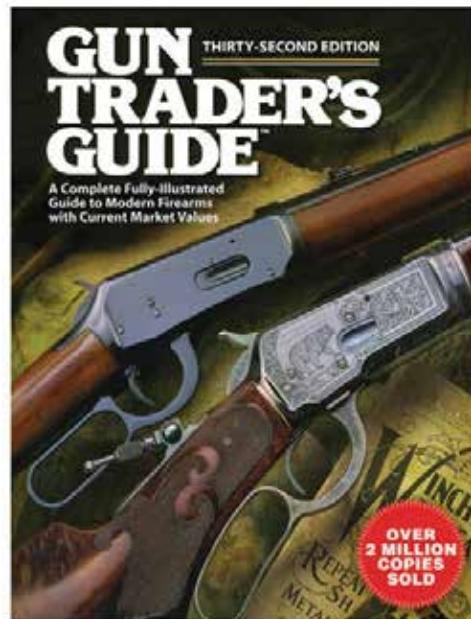


Figure 1: *Gun Trader's Guide* is one of the better pricing and identification guides for firearms manufactured after 1900.

KNOW WHAT YOU ARE PRICING

Knowing what you are looking for and what you have found is one of the first requirements of the serious gun collector, and there is no better way to learn about guns than through the many reference books and catalogs available on the market. For example, consider the famous Colt Model 1911 semi-automatic pistol. During World War I and II, Colt licensed other firms to make these pistols under government contract. These firms included Ithaca Gun Company; North American Arms Company, Ltd.; Remington Rand Company; Remington-UMC; Singer Manufacturing Company; Union Switch & Signal Company; and Springfield Armory.

Because of these different manufacturers, Colt Government Model pistols vary in value from about \$4,000 for a U.S. Model 1911 in excellent condition (manufactured by Colt) to more than \$14,000 for the same model manufactured by North American Arms Company, Ltd. — with many other prices for the models in between. Then there are variations of this model, including the Colt Service Model Ace Automatic Pistol (chambered for .22 Long Rifle), Colt Gold Cup National Match, .45 Auto, and the commemoratives, just to name a few. Unless you happen to be a Colt collector, curator, or dealer who is constantly keeping up with the demand and prices of Colt handguns, you will have to seek the advice of others to find the current market value of all these weapons.

PRICING GUIDES

Many pricing guides available include *Gun Trader's Guide* by Skyhorse Publishing; *Antique Firearms: The Collector's Guide*, which was last printed in 1994 by Stoeger Publishing Co., and *Blue Book of Gun Values*, by S. P. Fjestad. All these books are available for purchase from online retailers or you may find a copy in your library.

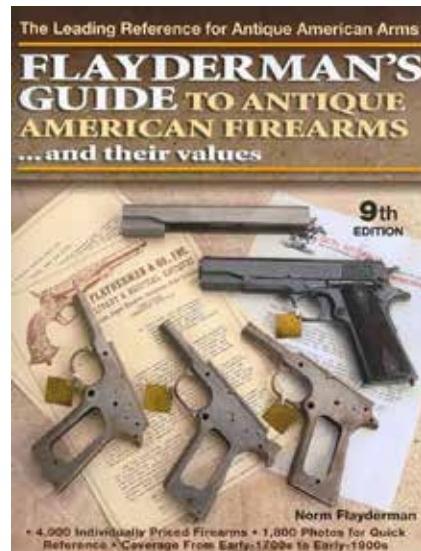


Figure 2: Flayderman's Guide to Antique American Firearms and Their Values lists firearms manufactured prior to 1900.

For firearm identification and pricing of firearms manufactured after 1900, *Gun Trader's Guide*, shown in Figure 1, is the best of the three since it contains complete specifications and photos of most models of firearms made in the twentieth century. This firearm pricing guide is updated every two or three years. For firearms originally manufactured before 1900, *Flayderman's Guide to Antique American Firearms and Their Values*, shown in Figure 2 is a good source for antique firearm values to replace the out of print *Antique Firearms* book. For simply pricing guns, the *Blue Book of Gun Values*, shown in Figure 3, is the best. It is updated annually, and contains prices of each model of both antique and modern guns in several conditions. However, it contains very few specifications and no photos.

Anyone who buys, sells, trades, appraises, or repairs guns should have all three of these books or similar publications. If you cannot find them at your local bookstore or sporting goods store, you can purchase online from various retailers.

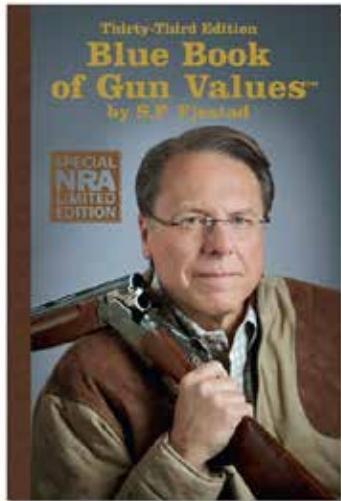


Figure 3: *Blue Book of Gun Values* lists both modern and antique firearms and is updated on an annual basis.

When using any of these pricing guides, remember that they are “guides,” not “gospel.” A particular arm may have doubled in price since the latest edition was printed, causing you to sell or buy a particular gun at more or less than the gun is worth. Any printed price guide or reference book, especially in this period of rampant inflation, can be used only as a guide. Consult other sources before finalizing a deal on any firearm if you are not sure how the market is doing.

CONDITION

The condition of a firearm is a big factor in determining its value. In some rare collector models, a jump from one condition to another can mean a value difference of several thousand dollars. Therefore, it stands to reason that you must be able to determine condition before you can evaluate firearms accurately. Several sets of standards have been available over the years, with the NRA Modern Gun Condition Standards probably the most popular. However, in recent years, condition has been specified by the percentage of original finish remaining on the firearm — both on the wood and on the metal. Let us see how these various standards compare.

NRA MODERN GUN CONDITION STANDARDS

- **New:** Not previously sold at retail, in same condition as current factory production.
- **New, Discontinued:** Same as New, but discontinued model.
- **Perfect:** In new condition in every respect; sometimes referred to as mint.
- **Excellent:** New condition, used very little, no noticeable marring of wood or metal, bluing perfect (except at muzzle or sharp edges).
- **Very Good:** In perfect working condition, no appreciable wear on working surfaces, no corrosion or pitting, only minor surface dents or scratches.
- **Good:** In safe working condition, minor wear on working surfaces, no broken parts, no corrosion or pitting that will interfere with proper functioning.
- **Fair:** In safe working condition, but well worn, perhaps requiring replacement of minor parts or adjustments that should be indicated in advertisement; no rust but may have corrosion pits that do not render the gun unsafe or inoperable.
- **Poor:** Badly worn, rusty, and battered, perhaps requiring major adjustment or repairs to place in operating condition.

The NRA also makes available Antique Firearm Condition Standards. They are largely based on percentage of original finish, as follows:

- **Factory New:** All original parts; 100 percent original finish; in perfect condition in every respect, inside and out.
- **Excellent:** All original parts; more than 80 percent original finish; sharp lettering,

numerals, and design on metal and wood; unmarred wood; fine bore.

- **Fine:** All original parts; more than 30 percent original finish; sharp lettering, numerals, and design on metal and wood; minor marks in wood; good bore.
- **Very Good:** All original parts; none to 30 percent original finish; original metal surfaces smooth with all edges sharp; clear lettering; numerals, and design on metal; wood slightly scratched or bruised; bore disregarded for collector firearms.
- **Good:** Some minor replacement parts; metal smoothly rusted or lightly pitted in places, cleaned, or refinished; principal lettering, numerals, and design on metal legible; wood refinished, scratched, bruised, or minor cracks repaired; in good working order.
- **Fair:** Some major parts replaced; minor replacement parts may be required; metal rusted, may be lightly pitted all over, vigorously cleaned, or reblued; rounded edges of metal and wood; principal lettering, numerals, and design on metal partly obliterated; wood scratched, bruised, cracked, or repaired where broken; in fair working order or can be easily repaired and placed in working order.
- **Poor:** Major and minor parts replaced; major replacement parts required and extensive restoration needed; metal deeply pitted; principal lettering, numerals, and design obliterated; wood badly scratched, bruised, cracked, or broken; mechanically inoperative; generally undesirable as a collector firearm.

These NRA standards were compiled a number of years ago, and current dealers have found a need to offer a more accurate description of

antique firearms. For example, these days, an antique arm considered in "Excellent" condition may have 95 percent original finish (not just the "over 80 percent" as prescribed by the NRA Standards). That 15 percent difference between 80 percent and 95 percent could make the difference between a selling price of \$500 versus \$5,000 or more for some models. So you will find that most successful antique gun dealers today try to break down that percentage of original finish even more.

An example of a pricing guide broken down in several percentages of original finish is shown in Figure 4. This is how the *Blue Book of Gun Values* lists most of its firearms. There is also excellent reference material in this book that will teach you how to define the percentage of original finish on any firearm more accurately.

While pricing guides provide a fairly accurate yardstick for determining the value of used guns, you can also look at online periodicals and websites as well. Anyone who does much trading should keep these publications on hand at all times and study them thoroughly. Also, look for several examples of the same model gun. The asking price by one gun owner might be much different than the average.

You will also want to visit gun shops, trade shows, antique gun shows, and auctions, all of which are held weekly in some parts of the country. The shooting publications or websites just mentioned usually list dates and locations of these shows. Talk to the experienced traders. Here you will see guns actually being bought and sold, not just what the asking prices are. If you see a certain gun priced at \$500, and you see several of the same model selling for around this price, then you can be sure that this is the true current value of that particular gun. You will also have a chance to see if the theoretical published prices conform to the actual buy-and-sell figures.

GRADING - PPGS™	100%	98%	95%	90%	80%	70%	60%
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Large Frame Size: Current SAAs and M1911s

The following is a listing of current Custom Shop engraving for both SAAs and M1911s. Other Custom Shop options are priced on request, including a wide variety of gold/silver inlays, panel scenes, color enamel inlays, gold/silver frame outlines, etc.

Add \$1,130 for A Standard engraving.

Add \$1,300 for B Standard, \$2,075 for B Expert (signed), or \$3,725 for B Master (signed) level engraving.

Add \$1,700 for C Standard, \$2,878 for C Expert (signed), or \$5,415 for C Master (signed) level engraving.

Add \$2,000 for D Standard, \$4,280 for D Expert (signed), or \$6,900 for D Master (signed) level engraving.

Add 20% to large frame pricing for Buntline Models (disc.).

Medium Frame Size

Medium frame engraving was discontinued.

Values listed reflect last published MSRs.

Add \$900 for Standard A level engraving.

Add \$1,200 for B Standard, \$1,700 for B Expert, or \$3,150 for B Master level engraving.

Add \$1,400 for C Standard, \$2,500 for C Expert, or \$4,538 for C Master level engraving.

Add \$1,600 for D Standard, \$3,600 for D Expert, or \$6,300 for D Master level engraving.

Small Frame Size

Factory small frame engraving was disc. 1998.

Values listed reflect last published MSRs. Subtract 20% from small frame pricing for Mustang Models.

Add \$400 for A Standard, \$600 for A Expert, or \$800 for A Master level engraving.

Add \$600 for B Standard, \$800 for B Expert, or \$1,000 for B Master level engraving.

Add \$800 for C Standard, \$1,100 for C Expert, or \$1,500 for C Master level engraving.

Add \$1,100 for D Standard, \$1,300 for D Expert, or \$1,900 for D Master level engraving.

REVOLVERS: SAA, SCOUT MODEL

100% values below assume NIB condition. Subtract 10% without box.

FRONTIER SCOUT (Q or F SUFFIX) – .22 LR or .22 WMR (introduced after 1960) cal., "Q" or "F" suffix, blue or bright alloy frame, all blue, or duotone (bright alloy frame disc. 1961), 4 3/4 or 9 1/2 (Buntline, blue only) in. barrel, available with interchangeable cylinders after 1964, black composition or walnut grips, approx. 246,000 mfg. 1957-1970.

\$500	\$400	\$325	\$250	\$200	\$175	\$150
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Add 10% for extra cylinder.

Add 20% for Buntline model (marked "BUNTLINE SCOUT .22 CAL.")

Add 25% for "Q" suffix with duo-tone finish (mfg. 1957-58 only).

Add 10% for original box.

Add 50% for walnut grips (must have factory box or letter).

FRONTIER SCOUT (K SUFFIX) – Zamac alloy frame version of "Q" Model with "K" suffix, nickel finish with walnut stocks, approx. 44,000 mfg. 1960-1970.

\$600	\$425	\$325	\$250	\$200	\$175	\$150
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Scout cased pair	\$1,200	\$900	\$750	\$550	\$450	\$350	\$320
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Buntline cased pair	\$1,500	\$1,125	\$950	\$675	\$575	\$425	\$400
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Add 20% for Buntline model (marked "BUNTLINE SCOUT .22 CAL.")

Add 10% for original box.

This model used the alloy Zamac for manufacture (as opposed to aluminum in the "Q" and "F" suffix models), and specimens are 6 oz. heavier as a result.

FRONTIER SCOUT '62 (P SUFFIX) – blue finish version of "K" Model, except has "P" suffix, Staglite grips, approx. 68,000 mfg. 1962-1970.

\$600	\$450	\$375	\$275	\$225	\$175	\$160
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Scout cased pair	\$1,200	\$900	\$750	\$550	\$450	\$350	\$320
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Buntline cased pair	\$1,500	\$1,125	\$950	\$675	\$575	\$425	\$400
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Add 10% for original box.

Add 20% for Buntline model (marked "BUNTLINE SCOUT .22 CAL.")

Figure 4: Sample page from the Blue Book of Gun Values shows a model listed in regards to the percentage of remaining original finish.



Figure 5: Custom-built rifles may cost the original purchaser thousands of dollars. However, used custom rifles are difficult to sell, and most gun dealers stay away from rifles of this type.

Some firearms are rarely listed in the pricing guides. Included in this group are custom-built sporting rifles based on military barreled actions, factory rifles converted to wildcat calibers, and certain handmade weapons. Determining the value of a custom-built rifle can be difficult, even impossible, if you do not know what you are doing. One reason is that they vary widely in workmanship and value. Another reason is that a custom-built rifle is just that — one built for a certain individual, to his or her exact specifications. The original rifle may have cost the owner \$10,000 when it was first built by a custom gunsmith. However, when the owner tries to sell the rifle, a new problem arises. Since the rifle was not custom-built to the new owner's specifications, it can be difficult to get even half of the original cost. So be cautious when dealing with custom-built rifles or shotguns. This certainly does not discredit the gunmaker, but since custom guns are built on an individual basis, they are not the best "used gun" value for the average gun dealer or gunsmith (Figure 5).

Gun Shows

Education is a combination of learning and doing. You can know all there is to know about a subject, but if you do not apply this knowledge, it will not do you much good. You cannot really get a feel for a topic until you get some hands-on experience.

The same is true about appraising firearms. You can study all the published pricing guides, read the various shooting publications such as *Shotgun News*, *American Rifleman* and others, but until you actually get into the practice of appraising firearms accurately, your knowledge of the subject is still questionable. For a list of shooting publications visit www.nrapublications.org.

There are dozens (if not hundreds) of gun shows held around the country almost every weekend of the year. Look in the back pages of gun publications for a complete listing and dates of the more popular gun shows or search for a website that lists gun shows in your area (Figure 6). Chances are, you will see one or more such shows that will be held in the future near your home. If at all possible, try to attend as many of these shows as you can.

EDUCATION IN A DAY

If you have never attended a gun show, your first one will give you an education in gun trading that you can never experience from books alone. The types of gun shows that you want to attend at this point are the ones that deal mainly in used guns. However, there are others also worthy of your attention.

The NRA holds its annual convention in the spring of each year — usually in a midwestern state. The NRA convention will have booths occupied mainly by manufacturers of new guns, reloading equipment, gunsmithing supplies, etc. While interesting and worthy of your time, this is not the show to attend to learn about gun trading. Rather, you will want to locate a gun show with mainly used guns and related products displayed.

When you arrive, you usually have to pay a fee — anywhere from \$5 to \$15 per person. When reviewing the shows available, always look at the number of tables or booths available. The larger shows will have 300-500 tables of used guns and related equipment. This is the type of show you want to look for.

Once you are inside the building, take a quick walk around the entire area, glancing at each table as you pass and making mental notes of

Monroe Gun & Knife Show **400+ tables**
Monroe, Michigan **Sat 9-5**
Monroe County Fairgrounds **Sun 10-3**
MBT Expo Center **\$1.00 off**
3775 South Custer Road
Sport Shows Promotions, Inc PH: 517-676-4160

Dec 8-9

click here 

Figure 6: Various shooting publications list gun shows in their magazines and online. You can usually find smaller gun shows in your area several times a month, and large shows a few times each year.

what you see. When you have made your first round, which might take an hour or more, look for tables with the most people standing around. Chances are, some trading is going on. Here is where you want to be “a mouse in the corner.” All you want to do at this point is observe. With the knowledge that you have already gained from the Sonoran Desert Institute’s Gunsmithing course, you should be able to tell the most knowledgeable displayers quickly. But each will have a different selling technique.

You will see many guns that you recognize, but you will also see many oddities that you do not recognize. This is where a notepad comes in handy. Take notes on anything of interest or use your phone or camera to snap a quick photo of an interesting firearm.

While you should observe the price tags on the various weapons to see how they stack up with what you have learned from pricing guides and shooting publications, the thing you want to pay the most attention to is the cash or check that exchanges hands on a particular gun sale. A gun may not always be worth the asking price. It is what the buyer is willing to pay that counts the most.

Yes, a gun show can give you an education in a day, so be sure to make a day of it. Unless it is an extremely small show, you can easily spend a whole day there. The displays and the trading that go on will give you some experience, and experience is what you need before you can consider yourself a professional.

TAKING NOTES

Someone once said, “The weakest ink is better than the strongest mind.” This means that anything in writing is more permanent than our memories. Consequently, when you attend gun shows to obtain pricing information, always carry a notepad and pen. When you see an actual sale of a firearm, write down the manufacturer, model, condition, price, and other pertinent information. This information will prove invaluable in

the future when it becomes your turn to deal in firearms and/or appraise guns for clients.

Most dealers who regularly attend gun shows log an enormous amount of mileage on these trips. While the airlines account for most of this mileage, trains, autos, and buses also transport thousands of dealers, gunsmiths, and firearms enthusiasts each year.

When you see a new model of firearm and its asking or selling price, make a note of the information. A camera is also helpful when attending gun shows to record various new models of firearms. You can easily record information or make notes on your phone or tablet if you carry one.

If you come across a firearm that you do not recognize, ask the owner or the person selling it to identify it. In most cases, he or she will know what the firearm is. Occasionally, the seller is wrong, so be sure to verify everything that you are not sure of. Make notes of the gun’s characteristics, including all markings. When you return home or to your gun shop, use your references to verify the information. Also check the selling price with your pricing guides. How close were the two prices?

After you have been to a few gun shows and taken notes of prices on new models of guns as you come across them, you should be well on your way to becoming a good firearm appraiser. But do not expect to become an expert overnight. It takes many months of studying and actually buying and selling guns before this will happen.

PUBLIC AUCTIONS

Public auctions are another excellent means to compare prices of both modern and antique firearms. You probably will not locate as many of these as you will gun shows, and you will not find a lot of guns (if any) at every public auction, but you still want to keep your eyes open for listings in local newspapers.

When an auctioneer advertises or announces an auction sale, many of the most attractive items



GUN AUCTION

*Sale to be held at Sullivan Auction Site, Hwy. 135 East,
Hamilton, Illinois*

SAT, DEC. 22 AT 9:00 A.M.

**Consign now to this sit down style
cataloged "No Reserve" gun auction being
held the weekend before Christmas.
OVER 300 GUNS ALREADY CONSIGNED!**

**AS ALWAYS, WE WILL OFFER LIVE
INTERNET BIDDING ON ALL GUNS.**

Online Bidding
Powered by proxbid

Sullivan Auctioneers, LLC
Phone 217-847-2160 • IL License #444000107

are listed in the ad. If firearms will be sold, these will probably be among the list. Look in the classified section under "Auctions," and when you find one that interests you, make a phone call to the auctioneer and ask if there will be any firearms sold. You might also want to look in the Yellow Pages or online. Contact the various auction houses and let them know that you are in the firearms business and would appreciate being informed of any future auctions that will have firearms for sale.

When attending an auction, you will again want your notepad to record the various models sold, their condition, and most important, the price obtained for each. Once you have accumulated a list of this type, it will become your best source for pricing firearms.

There are many reasons for auctions. Some believe this is the best way to dispose of property quickly, and they are probably right. Sometimes, auctions are held to settle estates. Many such auctions have excellent gun collections that the heirs do not want. In other cases, a firm might be going out of business, and everything needs to be sold.

Some auctioneers specialize in firearms. If such an auctioneer is holding an auction near you, you definitely should attend. Some such auctions have been known to run into the millions with firearms being sold like a "One of One Thousand" Winchester Model 1873 for \$45,000, a Parker AA1 Special double-barrel shotgun for \$95,000, or a Colt Army single-action revolver with serial number "1" bringing almost a half million dollars!

The following are the names and addresses of some auctioneers who specialize in firearms and related items. You might want to contact each of them and ask them to put your name on their mailing list.

AUCTIONEERS

Bonhams Auctioneers & Appraisers
220 San Bruno Avenue
San Francisco, CA 94103
(415) 861-7500
www.bonhams.com/us

Fagan Arms Inc.
33915 Harper Avenue
Clinton Township, MI 48035
(586) 465-4637
www.faganarms.com

Rock Island Auction Company
7819 42nd Street West
Rock Island, IL 61201
(800) 238-8022
www.rockislandauction.com

Sotheby's
1334 York Ave.
New York, NY 10021
(212) 606-7000
www.sothebys.com

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Your Own Appraising Business

There are few people in the United States who make a living solely by appraising firearms. However, there are hundreds who earn extra money by appraising firearms for attorneys who handle estate settlements, fire and theft losses for insurance companies, and those who want to know the value of their firearms to obtain the right amount of insurance on them. Perhaps a widow has her late husband's firearms and wants to get rid of them. She wants to get a fair price, so she has the guns appraised by an experienced firearm appraiser. She may then advertise the guns, sell them at public auction, or let a gun dealer take them to sell for her on consignment.

There are also appraisers who are experts at gun pricing but appraise guns only to find highly sought collector firearms for themselves, or

perhaps to obtain them at a good price and later sell them for a higher price.

Regardless of the reason, appraising firearms can bring additional income to your gunsmithing business. It is also one way to see and handle the finest firearms made, especially if you build a reputation for accuracy in your appraisals.

GETTING STARTED

The material previously covered in this lesson should lay the groundwork for you to get started, as long as you follow the suggestions given; that is, obtain reference books, price guides, attend gun shows and public auctions, etc. To become an expert appraiser, you must first be able to recognize practically all firearms. Furthermore, in the more desirable pieces, you must be able to detect fakes and those that have been refinished. Some gunsmiths are able to duplicate an original finish on some high-priced collector pieces that even fool the experts at first glance, but if you look long enough there is always some tell-tale sign that give the job away.



Figure 7: A fine shotgun with much engraving is a great find for most gun collectors. Damascus barrels, however, bring less than their steel-barrel counterparts.

When you come across rare firearms (Figure 7), keep a list of experts whom you may consult to confirm a particular model. Museum curators are one good source; reference books are another. Once you feel like you are good at identifying firearms, grading their condition, and putting a fair retail price on them, you are ready for the next step.

DO YOUR HOMEWORK

There is a salesman on television who sells books and audio tapes on how to get rich. His favorite statement is, "Observe what the poor people do and then do just the opposite." A better procedure for firearm appraisers is to study the techniques of successful appraisers carefully and then decide which of these techniques are best for you.

These appraisers' techniques include their means of advertising, the amount they charge for appraising firearms, etc. For example, Turner Kirkland of Dixie Gun Works (www.dixiegunworks.com) bought, sold, and traded antique guns since 1932. Dixie bought, sold, and traded over 1,000 guns per year. Kirkland often attended 25-30 gun shows each year, at which time he examined and viewed thousands of antique firearms. Since his expertise was in the field of antique firearms or collectors' firearms, in special cases of unusually rare antique firearms or those that may be historically oriented, he may have needed to consult outside contacts. In appraising

modern guns, which he did not study, he may also have needed to turn to outside contacts.

Kirkland's fee was approximately \$50 per hour or any fraction thereof while working. This calculated time also included the time his secretary spent writing and mailing his documents. If Kirkland left the office, he charged about \$75 per hour with a travel fee of about 50 cents per mile, plus necessary telephone calls and overnight accommodations.

The appraisal document prepared by Dixie Gun Works was so complete that it would be good for any legal debate in court or within the offices of an insurance firm. Dixie's appraisers understood how to describe antique firearms and their accessories, and how to put this wording into language that the average person understood.

Kirkland's evaluation was at the retail level, which meant that he would evaluate an item at what he knew its average retail value to be. He would not purposely appraise a gun higher than its real value in the case of an insurance claim.

This is how one successful firearm appraiser operated. This information should be helpful to get you started in investigating the techniques of other successful appraisers.

The following is a list of some of the best firearm appraisers in the country. Make a note of the following list if you plan to get into the business. Many appraisers have brochures that give their fees, travel expenses, etc. Use these figures as a guide to establish your own fees.



Please note that this list is current at time of printing, although information changes regularly. SDI does not guarantee the services of any appraisers listed below.

FIREARM APPRAISERS

Ahlman's Gun Parts & Services
9525 230th St. W.
Morristown, MN 55052
(507) 685-4244
www.ahlmans.com

The Armoury, Inc
233 Litchfield Turnpike
New Preston Marble Dale, CT 06777
860-868-0001

David Condon, Inc.
P.O. Box 7
109 E. Washington St.
Middleburg, VA 20118
www.davidcondon.com

Fagan Arms Inc.
33915 Harper Avenue
Clinton Township, MI 48035
(586) 465-4637
www.faganarms.com

Coal Creek Armory
10737 Dutchtown Rd.
Knoxville, TN 37932
(865) 966-4545
www.coalcreekarmory.com

Martin's Guns Shop
937 S. Sheridan Boulevard
Lakewood, CO 80226
(303) 922-2180

Web Based Appraisers

www.gunsinternational.com
www.gun-appraisals.com
www.jcamericana.com

NOTES

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Introduction

Gun trading is an old American tradition. In the past, trading provided many people with their only means of owning a firearm. Some gunsmiths bought and sold used guns to boost their profits, while others found gun trading an excellent means of building up a gun collection. The practice continues today.

Most gun enthusiasts — whether hunters, shooters, collectors, or dealers — will, at some time in their lives, buy and sell used guns. The main objective of this practice is to pick up a real bargain and sell it for a good profit. To accomplish this, you have to be able to identify the gun and know its model, rarity, and condition. If parts are missing, you need to know if they are readily available and how much they cost. You need to know if the parts in a particular gun

are all original or if the gun has been assembled from several junked guns. You must know whether the finish is original or whether the firearm has been refinished. If the gun is a very rare model, you need to be sure it is authentic. These are important factors to consider when buying and selling used guns.

In this lesson, you will learn what to look for when trading in used shotguns, rifles, handguns, and the growing branch of black powder arms.

Basic Considerations

When buying or trading used guns as a business, bear in mind that you must make a profit to stay in business. You cannot buy a used gun, keep it for any length of time, and then sell it for less than 20 percent profit. Many used gun dealers try to make 30–40 percent profit on each sale. However, the average profit realized nationwide is a little lower: 25–30 percent. So, if you are offering to purchase a gun from a customer and you think you can resell the gun for around \$200, your first offer should be no higher than \$120*.

For example, assume that a customer walks into your shop with a pre-1964 Winchester Model 94 carbine in very good condition that was manufactured about 1956 (Figure 1). It is chambered for .32 Winchester Special. You check the pricing guides and find this particular model listed at an average retail price of \$350 in this condition. Normally, you should offer \$210–\$250 for the carbine. However, perhaps another one of your customers has asked you to look for such a gun to complete his or her collection.

The customer will immediately pay \$350. You can then go as high as \$300 for this gun, knowing that you will make \$50 profit from the other customer. Winchester model 94s made before 1964 can be identified by a screw in the bottom of the finger link as shown in Figure 2 on the next page.

TIME OF YEAR AND CONDITION

The time of year plays an important role in obtaining the best gun buys, although there seems to be no particular “bad” time to buy or sell collector guns. They are always in demand, with new models being added to the list constantly. Hunting guns are a different story. You will normally obtain the best deals on hunting guns from January through July. In August and September, you can get top dollar for the guns you purchased earlier to supply the demand for the forthcoming hunting season. However, this means that you could have a substantial investment sitting on your gun rack for six to eight months, not earning you any money during this time. But this is how the gun business operates, and this is the reason you cannot pay too much for a used gun and expect to stay in business.

Always consider a firearm’s condition when buying or trading used guns. The condition of the firearm affects the price a collector will pay for



Figure 1: Winchester Model 94 carbines manufactured before 1964 have risen to “collector” status. Those made prior to 1964 have a serial number 2,700,000 or below.

**Note: The dollar amounts listed in this lesson may not be current or may only be representations of value.*

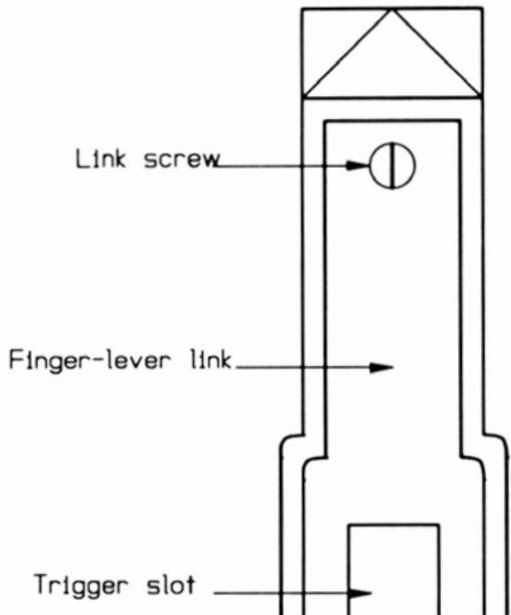


Figure 2: Bottom view of a Model 94 receiver.

the gun. For example, not long ago, Winchester Model 1886 standard lever-action rifles in good condition were selling for \$850-\$1,000 each. Gunsmiths and dealers were buying them for \$550-\$800 each for resale. However, one dealer in Virginia came across a Model 1886 in excellent condition, as though it had just been unpacked from its carton. After purchasing the rifle, the dealer made a call to a collector in Florida, and within minutes a certified check for \$4,800 was on its way to the dealer. This is an example of why you should know how to evaluate the condition of all firearms and adjust your price accordingly.

When buying or trading used guns for hunting or target work, you must also know how to evaluate the working condition of the guns. Obsolete guns that are not in the collectible class do not resell very well, and usually bring the lowest prices. Some of these include old rifles and shotguns, like the one shown in Figure 3, manufactured by U.S. and foreign firms for mail-order houses. Considerable time and expense are often involved when one of these obsolete weapons needs a replacement part. Often, the only solution is a handmade part, which can be quite costly, depending on how long it takes to make it.

One common problem with some of the obsolete pump and semi-automatic shotguns manufactured for chain stores is that the operating handle bar breaks. Apparently, a low-grade steel was used in these bars. Replacement parts are no longer available from the manufacturer, so existing parts must be repaired or new parts constructed by hand. Some owners of these guns have taken the operating bar to a local welding shop and had the parts brazed together. However, the high heat required to braze the parts together often softens and weakens the metal even more, so the parts usually break again soon.

Repairing these bars requires that the weak metal be cut away and a new piece be silver-soldered (with heat not exceeding 1,100° F) and then shaped to operate properly. The job costs about \$35 or more, and the gun is not worth \$100.



Figure 3: High Standard Arms once made thousands of inexpensive shotguns for mail-order houses like the Flite King Field slide-action shotgun.

Some Spanish and Italian double-barrel shotguns of recent manufacture are in this same category. The manufacturer is either out of business or has started making other models, or the importer has dropped the line. Under these circumstances, replacement parts are nearly impossible to locate. Profits made on guns that later prove irreparable are not worth the customer dissatisfaction that follows. All guns can usually be repaired by a capable gunsmith, of course, but at current labor prices, it is usually not worth the expense. Avoid these types of guns.

DEALER'S RESPONSIBILITY

When you take a used gun in on trade or purchase a used gun outright, it is your responsibility to make certain the gun is safe and functions properly before reselling it. Often, a used gun is traded or sold because it does not function correctly. For example, the extractor may be damaged, the locking lugs may be worn, or the fired cases may show head separation or extruding primers. If these conditions exist, the gun probably has excessive headspace and needs to be corrected. If an inexpensive gun does have headspace problems, it requires either that the barrel be set back or that the gun be rebarreled. Both jobs often cost more than the gun is worth.

Trigger pull may be a problem. If the trigger pull is too heavy, it can usually be lightened fairly easily. If it is too light, it could mean a simple trigger adjustment (Figure 4). However, a light trigger pull can also mean excessive wear on the trigger and sear, or both. You must decide whether the gun is worth the price if the trigger and sear have to be replaced.

You should always check to see if the empty gun "fires" when the bolt closes or when the buttstock is lightly tapped on the floor. Place the safety on, then off, and see if you can make the gunfire by twisting the bolt and/or exerting pressure against the hammer or the cocking piece. If the gun fires (causing the firing pin to

fall) under any of the above circumstances, do not buy or sell it until you know the problem and the estimated cost of repair.

Rechambering a modern rifle from one high-intensity cartridge to another is perfectly acceptable, as long as the work is done correctly. However, any collector value is usually lost when such a conversion is made. Examine converted weapons carefully before buying, giving consideration to the quality of the conversion and several other factors, such as age of the gun, type of conversion, etc.

A Winchester Model 92 rifle in good condition is considered safe when correctly converted to handle .357 Magnum cartridges. Hundreds of these conversions have been made. However, this same conversion made to a Winchester Model 73 could be hazardous.

Be aware of conversions of older rifles (those manufactured before 1930). Some of these guns were made of soft steel, and while safe for the cartridges for which they were originally chambered, they were not stressed for modern loads. Unless the serial number indicates that the

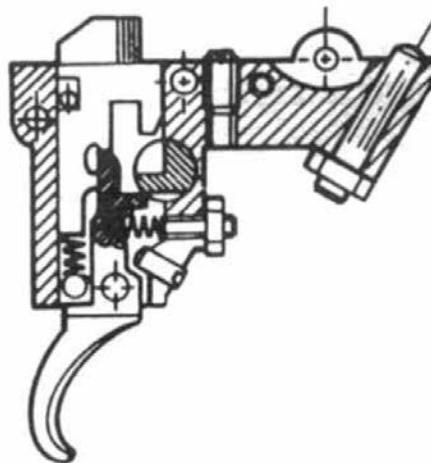


Figure 4: Rifles with adjustable triggers can be adjusted in minutes.



Figure 5: Beware of exposed hammer models with double hammer sears. Often, one of the sears is broken. Repairs can be made by welding, but you must consider the time involved and adjust your offer accordingly.

converted gun is of fairly recent manufacture and/or is in excellent condition, it is usually best not to buy it.

When buying a modern gun for shooting, always check the bore to make sure it is in good shape. If it is not, it is best not to buy the gun unless you can afford to rebarrel it. Rust in rifle bores leaves pits which cannot be removed, and although the gun may still be accurate, guns in this condition are always more difficult to sell than those with good bores. Rust is often an indication that the entire gun has been neglected.

A loose rifle action or a break-open shotgun action with excessive play can have many causes: firing high-pressure Magnum loads, wear, abuse, or improper gunsmithing. When such a

condition exists, the cost usually prohibits having the problem repaired, except in high-quality firearms.

To check for excessive play, open the action on the shotgun, holding the forearm tightly in your left hand and the grip tightly in your right hand. Twist in opposite directions; you should be able to detect any "play." Also check the hammer sears as shown in Figure 5.

Check bolt-action first with the bolt open, then with it closed. Twist and jiggle the cocking piece and bolt; you should be able to detect excessive wear. Some will even "fire" when the cocking piece is twisted. Such guns are obviously in need of repair, and you should take this into consideration when trading.

There are several models of guns that, although in good condition, are not very valuable because ammunition for them is hard to find. This category includes the 7.65 Argentine Mauser, shown in Figure 6. Norma® manufactures ammo in this caliber, but it costs over \$1 per round. However, some shooters can use this scarcity of ammo to their advantage. Let us assume that a person wants a centerfire rifle to use once a year during deer season; he or she does not care to use it any other time. Any bolt-action centerfire rifle in good condition will cost over \$200 if chambered for a modern, readily available cartridge. In this case, it may pay to buy a rifle chambered for an obsolete cartridge and pay the premium price for the hard-to-find ammo, since a box of 20 cartridges will probably last for years.

Brass for most obsolete centerfire cartridges can be formed from existing cartridges and then reloaded. In fact, in recent years, some small firms have started manufacturing obsolete brass. If there is a way to save money by buying a particular rifle chambered for an obsolete cartridge, this could work to your advantage. However, as a rule of thumb, obsolete guns with little or no collector value should be avoided or bought at a low price.



Figure 6: The Argentine Mauser is perfectly safe (in good condition) with the cartridge for which it was originally chambered. However, if rechambered for a cartridge with higher breech pressure, it may not be safe. Carefully inspect all conversions.

In general, you should only purchase used guns that are in good condition and that will sell quickly if you ever decide to get rid of them. If work is required to make a particular gun safer, more accurate, operable, or presentable, make sure you take into consideration the cost of this extra labor and parts. Remember, it is best to pass up a marginal bargain, or one that you are not sure of, than to buy and lose money because the gun will not perform the way you want or sell at the price you expect.

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Shotgun Trading

High-quality shotguns — like the Parker, L. C. Smith, and Winchester Model 21 — have always been in demand by collectors. As these guns become scarcer and the number of collectors multiplies, many people are starting to collect other types of modern firearms. Especially popular are the shotguns manufactured before 1964. By the early 1960s, the firearms industry was struggling due to the rising cost of labor. Many manufacturers were losing money on every gun they turned out and a solution had to be found if they were to stay in business. The need for machine-produced guns with a minimum of hand labor seemed to be the only answer; but would people buy these guns?

A survey conducted about that time by the firearms industry revealed that only approximately 10 percent of the market consisted of people who appreciated and demanded fine handiwork. The other 90 percent were satisfied with less artistry, as long as the firearm was safe, inexpensive, looked fairly decent, and was capable of reasonable hunting accuracy. As a result, gun manufacturers began mass-producing machine-made guns with burned-in checkering patterns on the stocks, stamping parts out of sheet metal, molding some parts out of plastic, and using

aluminum and pot metal in castings formerly made of machined steel. The artistry found in American firearms made before 1964 is rarely equaled today. Hence, there has been a growing collector demand for these guns.

However, there were several models of shotguns that were just not designed for mass production solely by machines. Most of these have succumbed to the high cost of labor and materials. Winchester tried to continue making its Model 12 and Model 21, but these finally became too costly to manufacture. Now the Winchester Model 21 is available on special order from U.S. Repeating Arms Company from their custom shop at a starting price of over \$10,000.

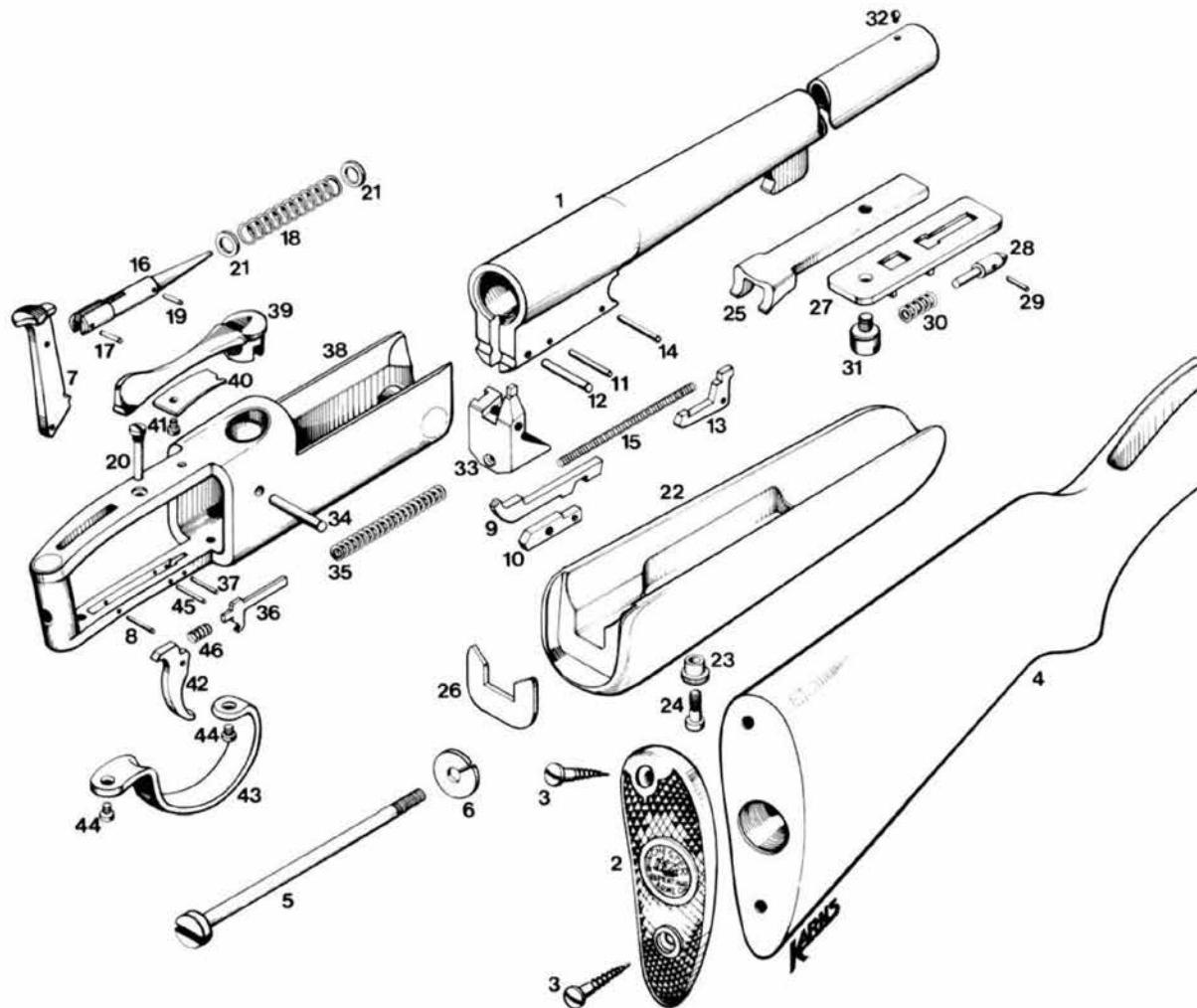
In 1960, a standard-grade Model 12 Winchester shotgun carried a retail tag of about \$55. In 1963, the price of the same gun jumped to \$110. By 1968, when the Winchester Model 12 was available only in Super Pigeon Grade, the price was \$825 — too much for the average hunter.

The Winchester Model 12 is still sought after by collectors, and good specimens sell for at least \$400 in standard grade. Of course, the higher grades sell for much more.

Even the single-shot Winchester Model 37 (Figure 7 & 7A), which retailed for about \$30 at the time it was discontinued, will bring an average price of \$250. It sometimes sells for \$600 or more for the rarer smaller gauges.



Figure 7A: The Winchester Model 37 shotgun.



Parts List

Key No.	Part No.	Part Name	Key No.	Part No.	Part Name	Key No.	Part No.	Part Name
1	137	Barrel	17	4137	Firing-Pin Connecting Pin	31	6037	Fore-end Shoe Stud
2	1637	Buttplate	18	4237	Firing-Pin Spring	32	8937	Front Sight
3	1737	Buttplate Screws (2)	19	4337	Firing-Pin Spring Pin	33	6437	Lock
4	1137	Buttstock	20	4437	Firing-Pin Spring Stop Screw	34	6737	Lock Pin
5	1437	Buttstock Bolt	21	4237A	Firing-Pin Spring Washers (2)	35	7037	Lock Spring
6	1537	Buttstock-Bolt Washer	22	4537	Fore-end	36	7137	Lock-Spring Guide Rod
7	1837	Cocking Lever	23	4837	Fore-end Escutcheon	37	7137A	Guide-Rod Stop Pin
8	2037	Cocking-Lever Pin	24	4937	Fore-end Screw	38	6137	Receiver
9	2237	Extractor	25	5037	Fore-end Shoe	39	7237	Top Lever
10	2737	Extractor Guide	26	5337	Fore-end Shoe Liner	40	7537	Top-Lever Retainer
11	2837	Extractor-Guide Pin, Front	27	5637	Fore-end Shoe Retainer	41	7537A	Top-Lever Retainer Screw
12	3037	Extractor-Guide Pin, Rear	28	5737	Fore-end Shoe Retainer Plunger	42	7737	Trigger
13	3437	Extractor Sear	29	5837	Fore-end Shoe Retainer Plunger	43	7937	Trigger Guard
14	3537	Extractor-Sear Pin	30	5937	Pin	44	8037	Trigger-Guard Screw (2)
15	3837	Extractor Spring			Fore-end Shoe Retainer Plunger	45	8137	Trigger Pin
16	4037	Firing Pin			Spring	46	8237	Trigger Spring

Figure 7: The Winchester Model 37 shotgun exploded view.



Figure 8: Inexpensive single- and double-barreled shotguns can be tightened by peening around the pivot lug.

EVALUATING CONDITION

Many vintage European and English double-barreled shotguns are not intended to handle Magnum shotshells, even when the barrels are made of fluid steel. They will take them for a while, but regular shooting with high-velocity or Magnum loads will eventually result in a loose action. These guns are fine for upland game shooting with light loads. In fact, many hunters cannot think of a better firearm than a light double 12- or 20- gauge for this type of hunting. These guns handle and point nicely, are not bulky, and weigh quite a bit less than their autoloading or slide-action counterparts.

To check for looseness in a single- or double-barreled shotgun, hold the gun with one hand on the forend and the other on the buttstock at the grip. By twisting your hands in opposite directions, you should be able to detect any play. Heatspace can be checked by holding the gun up to the light so you can sight at the gun where the barrel meets the standing receiver. If you can see light through this gap with the action closed, the gun is probably dangerous to fire. You can also use a standard blade-type feeler gauge (the kind mechanics use) to check the gap between the barrel and the standing breech.

If any of the above conditions exist, they will have to be corrected before the gun can be used safely, and of course, the price you offer should be set accordingly. If the shotgun is an inexpensive model, you can tighten the action by peening lightly around the semicircular cutout just behind the edge of it (Figure 8). If this is done correctly, and if looseness is not excessive, the metal will be displaced and moved slightly forward to close the gap. When the pivot-pin junction is tight, smooth the sides of the lug where the opening has been peened with a pillar file. On the better grades of shotguns, more care should be used. Raising indentations with a punch directly in the semi-curved lug will hide the work, but this peening should be even in order to make the barrels open and close smoothly.

A loose action can also be caused by a worn pivot pin, requiring the original pin to be replaced with a new one. Since the strength and proper function of the action depends on this pin, you must be extremely careful when performing this

job. This is definitely not a job for an amateur. You can estimate at least a \$35-\$50, or higher charge for this installation, so price your shotgun accordingly.

Some older American, British, and European doubles manufactured between 1910 and 1930 are chambered for non-stand 2½ in. (12-gauge) shotshells, resulting in high pressures and blown patterns when standard 2¾ in. shells are used. You can correct these chambers with a shotgun chambering reamer, but remember — you must buy the gun at the right price in order to make a profit.

MODELS CURRENTLY IN DEMAND

In many areas, single-shot, break-open shotguns move relatively well if the price is right. The now-obsolete H&R Topper models in good condition will sell for \$50-\$75; a Winchester Model 37 will sell for \$150 and upward; and an Iver Johnson Champion in good condition will go for around \$90. It is hard to get more than \$50 for the cheap mail-order guns that are circulating under various brand names such as White Powder Wonder, World's Challenge, etc. These guns have been used strictly as utility guns. Many are in poor condition with loose actions, and are therefore unsafe. If one is in relatively good condition, a dealer can normally buy it for \$25 or \$30 and sell it for \$50. Models requiring extensive repairs should be saved as "parts" guns.

Used double-barrel shotguns vary greatly in price — from as low as \$50 to as high as \$100,000 — depending on the make, model, condition, etc. Around 1900, many double-barreled hammer, breech-loading shotguns were manufactured by various firms for the mail-order houses and local hardware stores, many carrying Damascus barrels. However, they are currently in demand as wall hangers, and the cheaper grades in relatively good condition sell for \$75-\$175. Those made by Parker Brothers sell for as much as \$500.

The better grades of these exposed-hammer shotguns include L. C. Smith, Parker Brothers, Ithaca, Baker, Greener, Norwich, and Remington No. 3 Grade. When fitted with Damascus barrels, none of these guns will sell for much over \$200. However, if equipped with steel barrels, and if they are shootable, the price usually doubles and sometimes triples.

CRESCENT FIREARMS CO.

The Crescent Firearms Company was founded in 1888 and operated in Norwich, Connecticut. It has been said that this company was the most prolific of all manufacturers of private label guns, producing at least 400 different brand names.

In 1893 H&D Folsom Arms Company of New York City purchased Crescent. This firm sold guns manufactured by Crescent under a variety of names. In fact, if a certain number of the same model of gun was ordered, the buyer could have almost any label he or she wished stamped on the arm. For this reason, many

hardware stores of the time, which sold dozens of single- and double-barreled shotguns each year, had their own firm name stamped on the guns — causing even more confusion among gun collectors. The shotguns listed below are known to have been produced by the Crescent Firearms Company and carry any of the brand names or private labels in the list. In effect, all of these double-barreled, side-by-side shotguns were identical except for the names stamped on them. The same was true for their single-shot, break-open models.



T. Barker	Knox-All	W. Richards
Bellmore Gun Company	Lakeside	Charles Richter
C. G. Bonehill	J. H. Lau & Company	Rickard Arms Company
Carolina Arms Company	Leader Gun Company	Royal Service
Central Arms Company	Lee Special	Rummel
Cherokee Arms Company	Lee's Munner Special	St. Louis Arms Company
Chesapeake Gun Company	Liege Arms Company	Shue's Special
Columbian New York Arms	J. Manton & Company	Sickels Arms Company
Company	Marshwood	Southern Arms Company
Compeer	Massachusetts Arms	Special Service
Cruso	Company	Spencer Gun Company
Cumberland Arms Company	Metropolitan	Sportsman
Elgin Arms Company	Minnesota Arms Company	Springfield Arms Company
Elmira Arms Company	Mississippi Valley Arms	Square Deal
Empire or Empire Arms	Company	Stanley
Company	Mohawk	State Arms Company
Enders Oak Leaf or Enders	Monitor	Sterling
Royal Service	William Moore & Company	Sullivan Arms Company
Essex	Mt. Vernon Arms Company	Ten Star
Faultless	National Arms Company	Ten Star Heavy Duty
Faultless Goose Gun	New Rival	Tiger
F. F. Forbes	New York Arms Company	U.S. Arms Company
C. W. Franklin	Nitro Bird or Nitro Hunter	Victor
Harrison Arms Company	Norwich Arms Company	Victor Special
Hartford Arms Company	Not-Nac Manufacturing	Virginia Arms Company
Harvard	Company	Volunteer
Henry Gun Company	Occidental Arms	Vulcan Arms Company
Hermitage Arms Company or	Oxford Arms Company	Warren Arms Company
Gun Company	C. Parker & Company	Wilkinson Arms Company
Howard Arms Company	Peerless	Wilmont Arms Company
Hummer	Perfection	Wilshire Arms Company
Interstate Arms Company	Piedmont	Wiltshire Arms Company
Jackson Arms Company	Pioneer Arms Company	Winfield Arms Company
Kingsland Special	Quail	Winoca Arms Company
Kingsland 10 Star	Queen City	Wolverine Arms Company
Knickerbocker	Rev-O-Noc	Worthington Arms Company

PRICE TRENDS

No one can predict the future, but by gathering and analyzing certain statistics, one can come close to guessing the outcome of an event. This is true of firearm trends.

To give you an idea of how the trend in used shotgun prices has been going over the past 20 years, most quality shotguns have increased in price more than 400 percent; the cheaper models have increased from 62 percent to 188 percent. For example, in 1972, the average used gun price for an L. C. Smith Premier shotgun in excellent condition was \$2,700. Today, it is worth more than \$10,000. Lower-priced guns, like the Savage Model 430 shotgun, brought an average used gun price of \$115 in 1972; today, the same model is valued at over \$500.

Used shotgun prices during the 1990s seem to have leveled out, and they are not likely to increase as rapidly over the next 10 years as they did the decade before. But again, nobody knows for sure.

Rimfire Rifle Trading

It is quite possible that more .22 rimfire rifles are bought and sold each year than any other type of rifle. While many of these are sought by collectors, most are working guns, which means they are used for training young shooters, for target work, or for hunting small game. Since .22 rimfire ammunition is the least expensive of all, this rifle group is used the most for plinking or target practice in this country and abroad.

MODELS CURRENTLY IN DEMAND

Pre-1964 Winchester rimfire rifles, like the one in Figure 9, are sought by many collectors. Prices for these models have risen sharply in the past few years. In 1964, Winchester and other manufacturers changed from a machined receiver to a stamped receiver.

The early Stevens single shots, such as the Walnut Hill and Armory Model, are also commanding high prices. But the rifles that bring the most money are the high-quality match rifles like the Winchester Model 75 Target and the Winchester Model 52 in its variations.

For small-game hunting and plinking, the .22 rimfire semi-automatics outsell all others by a wide margin. You will probably see more Savage-Stevens Model 80 rifles on used gun

racks than any other type. As a working gun, the Savage-Stevens seems to be most popular, with Marlin semi-automatic rimfires holding a close second. However, few people are interested in actually collecting this model.

In comparison to the high collector interest in high-quality shotguns and certain centerfire rifles, veteran collectors have traditionally shown little interest in rimfire rifles, except for rimfires manufactured before 1920, such as the Winchester Model 1873s, Colt slide-action repeaters, etc. The more conventional rimfire rifles were usually purchased only for hunting, target shooting, and plinking. However, during the past few years, the popularity in rimfire rifle collecting has increased tremendously and is still rising at a phenomenal rate.

There are several reasons for this upsurge. First, the increasing costs of all collectible centerfire rifles require some serious thinking on the part of the buyer. Gone are the days when you could purchase 10 pre-1964 Model 94 carbines for \$35. Now one of these guns costs over \$200. A Winchester Model 86 will go for over \$1,000 in good condition — too much for the average collector to spend regularly.

Second, the growing numbers of collectors have bought an unbelievable quantity of firearms, and today's avid collector can become frustrated easily and bored by the lack of unusual or exciting acquisitions.

The third and most important reason is the availability of rimfire rifles and the opportunity



Figure 9: Virtually any Winchester rimfire in good condition and manufactured before 1964 is currently in the collector status.

to get a very good buy. There are many .22 rimfire rifles in use today, most of which have been around for a long time. Some owners who use these rifles as tools (like a farmer) are interested in trading them for more modern arms that will be more useful. To illustrate, many of the old bolt-action rimfire rifles are not easily adapted to scope sights — the bolt will hit a top-mounted scope when the action is operated, many eject out of the top of the action, and the receiver must be drilled and tapped for scope mounts. Such an installation could cost \$25-\$35. Rather than pay this amount, the owner would probably choose to trade in the gun for a new one. Transactions like these occur daily. A collector of .22 rimfire rifles can go into a used gun shop two or three times a week and usually find some new items on the shelves every time.

As with other types of firearms, the pre-1964 rimfire rifles are in demand the most. Winchester, Remington, and Savage-Stevens are the best sellers. Rifles such as Noble, J. C. Higgins, High Standard, and even the late model Winchesters (Models 250, 270, 150, and 290) have little collector value. All are good shooters, though, and are highly recommended as a first gun or for hunting or plinking. However, you may find that some of these models have poor accuracy, and malfunctions are common. Parts are also hard to obtain particularly for those models that were specially made for the mail-order houses.

Generally speaking, virtually any Winchester rimfire rifle in good condition and manufactured before 1964 is in the collector status and should make a good investment. The first .22 rimfire repeating rifle was the Model 1873, but this rifle was relatively heavy and expensive and never gained much popularity as a working gun. Despite their unpopularity, rifles such as these demand the highest prices from collectors of rimfires.

You should be aware of some of the other Winchester rimfires that have collector value. The Model 90 rimfire, for example, was light, relatively inexpensive, and could hold 11-15 cartridges, depending upon the type used. Nearly one million of these rifles were manufactured. A shorter version of this model, called the Model 06, came out in 1906. Both the Model 06 and Model 90 were popular for gallery use as well as for plinking and hunting small game. In 1932, Winchester came out with an improved version of the Model 90, the Model 62. Winchester also developed a concealed hammer pump in 1932, the Model 61.

The first Winchester semi-automatic rifle, shown in Figure 10, was invented by Thomas C. Johnson and was called the Model 03. Earlier models were chambered only for the .22 Winchester Automatic cartridge. At this writing, cartridges are still available at a retail price of about \$15 per box. So if you are in the market



Figure 10: The first Winchester semi-automatic rifle — the Model 1903 — was invented by Thomas C. Johnson.



This Remington Sniper Rifle 1903, sold at auction for over \$3,000.

for a plinking rifle, this model obviously would not be first choice. In 1933, this rifle was revamped, chambered for the .22 Long Rifle, and renamed the Model 63.

A new semi-automatic rifle was introduced in 1939. It was chambered for .22 Shorts in the Gallery Special model. In 1940 the .22 Long Rifle chambering was added for sporting rifles.

The Model 1900 single shot was Winchester's first bolt-action rimfire rifle. Through various improvements, it became known as the Model 02, and then the Model 04. In the later version, a thumb-trigger rifle was introduced which had no trigger or trigger guard. Instead, a thumb latch released the firing mechanism. This rifle was eventually called the Model 99.

Other Winchester bolt-action rifles include Models 58, 59, and 60. The Model 60 was later revamped to become the Model 67. Then came the Model 52, Model 75, and other models suitable for target work.

The development of Remington products closely paralleled that of Winchester; that is, they too brought out pumps, autoloaders, bolt-actions, etc. However, many shooters felt that the quality of Remington rifles was not quite up to par with the Winchesters. This may or may not be true, but at the present time, Winchester arms are selling for more than Remingtons. For

example, the Winchester Model 61 slide-action rifle in excellent condition is worth about \$350. Remington's Model 12 slide-action is valued at around \$200.

Rifles of other manufacturers have yet to reach the stature of Winchester and Remington rim-fire rifles. However, as the supply of these more desirable arms diminishes, the less-pursued ones are certain to increase in value. This might be the avenue to follow if you are considering a reasonably priced gun collection now, which you hope, will payoff in the future.

HOW TO EVALUATE CONDITION

An earlier lesson covered the NRA method of grading firearms using the terms "Excellent," "Fair," "Good," etc. Since an "antique excellent" is different from an "excellent" modern gun, many professionals now use a different method to grade firearms — namely, the percentage of original factory finish remaining on the gun. Any method you employ will take some practice, but eventually even the novice will be able to tell the approximate amount of bluing remaining on the gun.

Of course, the condition of the wood is also taken into consideration when pricing used guns, but most collectors consider the bluing for determining the basic condition.

After you have some experience, you will learn that some types of firearms wear differently than others. Bluing on some arms will wear off first in a particular location, while on others this location varies. Besides the muzzle, these locations are usually where the gun is touched most by the shooter's hands or body. In a tubular magazine rifle, for example, the bluing will be worn off at the top of the magazine tube where the shooter has gripped it to unscrew the magazine tube.

After you examine and evaluate the outside condition, you should inspect the bore. A rifle that will not shoot accurately is practically worthless. Even if the gun is solely for a collection and will probably never be fired, no one will pay top dollar for it if the gun will not shoot as it should.

When looking for a serviceable rimfire rifle for hunting or plinking, you will want to run several tests with it to make sure it is functioning properly. If you are purchasing the gun from a dealer, be sure to get a guarantee that the gun will function properly. If it does not, see that the dealer agrees to repair it or will pay to have it repaired.

The most common malfunctions of rimfire rifles include burred or scratched chambers and peened muzzles. Repeating and semi-automatic rifles can misfeed due to hardened grease and foreign matter in the receiver and extractor recesses. In these areas, the problem is compounded by the lubed ammunition and by the comparatively small size of the various action recesses.

In most cases, ailments in .22 rimfire rifles can be corrected by a good cleaning and/or the replacement of a minor part. Feeding problems, for example, can be caused by dents or debris in the magazine tube; weak or broken magazine springs; bent, broken, or blocked cartridge stops and cutoffs; and worn carriers or carrier cams. Faulty extraction and ejection are most often related to badly fouled or burred chambers or to jammed extractor springs.

As mentioned previously, many problems associated with repeating rifles can be corrected by a thorough cleaning and degreasing, so make this your first operation. Strip the gun down to its basic action components and clean and degrease them thoroughly. Once the parts are clean, those requiring replacement or touching up are fairly easy to detect.

PRICE TRENDS IN RIMFIRES

The .22 rimfire rifle has been a relatively low-priced firearm with the exception of the higher-grade target rifles. Even the better English and European gunmakers who made the finest double shotguns and drillings seldom put forth the same effort when building a .22 rimfire rifle. There were exceptions, of course, but as a general rule, 22s never got the attention that their bigger-bore counterparts did.

Centerfire Rifle Trading

Second only to high-quality shotguns in price increases over the past decade are centerfire rifles. Other than some of the cheap military models, it is difficult to obtain any centerfire rifle these days for under \$200. Even the Winchester Model 94 carbine (post-1964 version) that retailed only a few years ago for less than \$100 is selling for more than \$400 as a used gun.

MODELS CURRENTLY IN DEMAND

Any centerfire rifle in good shooting condition will demand top dollar in the fall, when deer hunting seasons open throughout the country. If you have what might be classified as a working rifle — one that will be used for hunting — the best time to sell is from mid-October until mid-December. This, of course, is not the time to shop for good buys if you happen to be in the market for a working rifle.

Although a lot depends on the locale, most of the better buys on centerfire rifles can be obtained from January to March of each year. There are a couple of reasons for this.

First of all, dealers know that non-collectible rifles will move very slowly for the next nine months, and many will be willing to lower their prices at this time of year.

Second, there is one factor you might not realize even exists. Frequently, construction workers live in rural areas and commute to the city to work. These workers are sometimes laid off from their jobs during the winter months, when adverse weather conditions prevail. They might become short of cash before the work picks up again in the spring, and they know that firearms can bring in some money for them. The hunting season is over and they have plenty of time to buy more guns before the next season. Each year from about January 15 through March or the first of April, most gun shops receive dozens of phone calls and visits from such workers who want to sell their firearms for ready cash. Few guns are in the collector status; most are modern arms, such as the Marlin Model 336, shown in Figure 11, the Mossberg bolt-action in .243 caliber, the Sears "Special," or similar items.

Since January to March is a difficult time of year to sell centerfire rifles, customers should not pay top dollar for them. Discount them about 40 percent because they will probably have to be "carried" until the next hunting season. This means interest on borrowed money and, at today's rates, this can add up. However, by the



Figure 11: The Marlin Model 336 seems to outnumber the Winchester Model 94 about 3 to 1 when a lever-action deer rifle is desired.

same token, if a customer is interested in buying a used centerfire rifle during this time, he or she can be assured of getting a good price, about 20 percent less than he or she would have to pay for the same rifle in the fall.

In the hunting classification, Remington centerfire slide-actions and semi-automatics are the most popular for woods hunting in the East, followed very closely by the lever actions. The Marlin 336 seems to outnumber the Winchester Model 94 about 3 to 1 in certain areas because of its side ejection, which allows a scope sight to be mounted directly over and in line with the bore. On the Winchester Model 94 (prior to the Angle-Eject models), the scope must be offset to allow for the cartridge ejection out of the top of the receiver.

Hunters in the western part of the country stick with the bolt-actions for greater accuracy on the longer shots often necessary in flat country.

From the above discussion, it would seem that different locations would have varied prices on certain types of firearms. This is true to a certain extent, but there is not enough difference in price to justify driving or flying 2,000 miles just to buy one gun.

For collectors, Winchester arms are the best, and any of those that bear factory engraving, deluxe stocking, or a presentation inscription command a substantial premium. The best-known Winchester inscriptions are the "One of One Thousand," "1 of 1,000," and "One of One Hundred" on premium-grade Models 1873 and 1876 rifles. If such a gun can be authenticated as a premium-grade factory issue with any of the above inscriptions, and if it is in good condition, you have a firearm worth \$45,000 or more. But be cautious when purchasing such an arm. It is very easy to have an engraver do inscriptions on any rifle, and the practice has been done more than once.

Side-by-side double-barreled rifles are very costly, especially those made by Holland & Holland, Westley Richards, and similar English gunmakers. Sporting rifles manufactured by Mauser are now bringing top dollar, as are the Mannlicher-Schoenauer models.

EVALUATING CONDITION

Centerfire rifles are evaluated like any other firearm—usually by the percentage of bluing remaining on the gun. The stock and bore also play important roles in determining final price, but the general condition is usually evaluated on the basis of original bluing. Note that we said "original." A refinished firearm will bring less money than one in original factory condition if it is in the collector status. However, a modern centerfire rifle that has no collector value will usually bring more money if it is professionally refinished rather than if it is rusty and in poor shape.

Bolt-action centerfire rifles seldom need repairs, even if misused, but occasionally a problem will develop that requires an expert's attention. Some of the problems to look for include poor accuracy; binding breech bolt, improper feeding, misfiring, defective safety, failure to extract, and failure to eject. Too much headspace is also common in some military arms.

Of these problems, excessive headspace is the most serious. The other malfunctions will prevent the gun from operating, but are seldom dangerous to the shooter. Excessive headspace, on the other hand, can endanger the shooter as well as bystanders.

Bolt-action rifles have been the standard military arm for many countries for nearly 100 years. Many of them were imported to the United States, distributed through gun dealers, and now belong to individuals. The majority of these guns were checked by the distributors, and the



Figure 12: Use headspace gauges to test used military weapons.

bad ones were rejected and dismantled for spare parts. The better ones were sold for shooting. However, some of the rejects happened to get through and many have “let go,” sending hot gas and flying brass particles back into the shooter’s face. Therefore, before firing any foreign military weapon, always check the headspace with a gauge like the ones in Figure 12. Better yet, check it before buying the gun. If the headspace does need to be corrected, you are better off not buying the rifle. Occasionally, a headspace problem can be corrected by installing a slightly over-long bolt; otherwise, the problem must be solved by setting the barrel back.

A defective safety should also be corrected immediately. In most cases, this problem can be traced to a worn or altered cam on the firing pin. If the safety binds, try filing the bearing point on the firing pin, taking only a small amount of metal away at a time until the problem is corrected. If the safety is tight in the bolt sleeve, it may be fitted, but usually a new safety is suggested. When such problems are found, an adjustment in the selling price of the gun is warranted.

Centerfire single-shot rifles are in great demand. Most use the falling-block design, and some have very complex mechanisms, requiring some very expensive repairs. So check them out thoroughly before you reach a deal.

Although a collector’s item, the Remington Rolling Block single-shot rifle is low on the list when it comes to value. Most of these should be retired to the wall rack and not fired. However, they can be made to shoot cartridges of moderate pressure by using one or more of the following suggestions: bush the firing pin (add bushings to make the firing-pin hole smaller), reface the breech blocks, or adjust the trigger pull. You will also want to give them a very close examination to detect any hairline cracks that may be present in the action or parts.

The worst, and most common, problem that occurs in the older centerfire lever-action rifles is looseness caused by wear of moving parts. You will find that some original round holes in parts have become egg-shaped, mortises in the receiver are worn, and metal has been shed from mating surfaces. Any of these defects can lead to malfunctions, making the gun unsafe.

You may encounter feeding problems caused by dented, dirty, or corroded magazine tubes and/or weak magazine springs. Recesses in the receivers are prone to collect bits of debris and foreign matter which, when combined with gun oil and grease, cake and gum up the action, causing feeding, extraction, and ejection problems.

The third most common problem in older lever-actions is excessive headspace. These rifles lock up at the rear of the sliding breech bolt and, after much firing, stretching occurs, causing excessive headspace. If you are buying one of these rifles, it is best to check it out thoroughly before closing the deal.



Remington Centerfire Rifle

Malfunctions in slide-action rifles are second in frequency only to the autoloaders. The biggest cause of problems with both of these action types is the presence of dirt, dust, and assorted debris that, when combined with gun grease and oil, prevent proper operation. This is really not a serious problem, since most of these malfunctions can be corrected by giving the gun a complete cleaning. However, if you find a gun in this condition, you'd better inspect the bore before buying it. Chances are an owner who has neglected cleaning the receiver has not kept the bore in good shape, which means it may be badly leaded, rusted, or pitted — all conditions which seriously affect accuracy.

Before purchasing a slide-action rifle for hunting, you will want to be reasonably sure the gun feeds properly (does not double-feed); retains cartridges in the magazine; has action bars that do not stick; has an action that locks properly and extracts and ejects as it should; cocks properly; functions safely; and does not discharge when the bolt is closed.

Semi-automatic rifles are becoming very popular for deer hunting in the eastern United States. Unfortunately, these guns have more malfunctions than any other type of action made.

Besides feeding problems, you will find autoloaders that fail to extract fired cases, some that will not eject, some that will not fire, and others that will not lock up properly. It is difficult to detect all of these problems by just looking at a gun, but we will give you some tips in case you do not have time to test-fire the weapon thoroughly before buying it. Look for marred screw heads. If you find these, chances are the previous owner tried to take the gun apart to fix it for some reason. Operate the bolt. Does it feel free or does it slide roughly? If it slides roughly, beware.

Handgun Trading

No particular time of year appears to be the best for trading in handguns — the business is good all year long. Proposed and enacted firearm legislation is one critical factor that boosts handgun sales. Many people are afraid handguns will be banned in their cities over the next few years, and they want to make sure they have one for self-protection before the laws are passed. Also, with crime increasing at a rapid pace, homeowners who have never owned any type of firearm before are finding that they feel safer with a handgun for protection.

Regardless of the reasons, you can be certain that handguns will be on the best-seller list for a long time to come, and any workable, safe handgun is certain to rise in value over the years.

MODELS CURRENTLY IN DEMAND

The modern handguns most in demand at this writing are those manufactured by Smith & Wesson. German Walther's are coveted, and bring a good sum. The American Walther, distributed by Interarms, is also becoming very popular, but does not command the money that its German-made counterpart does. Other than the Single Action Army model, Colt revolvers seem to be losing some of their popularity, but their semi-automatics are still selling well.

Both Smith & Wesson and Colt handguns are top quality when compared to most production firearms manufactured today. In testing a Colt Trooper Mark III in .357 Magnum along with an S&W Model 19 (also in .357 Magnum), both obtained about the same smoothness and accuracy.

The SIG is another modern handgun that has doubled in value (and retail price) over the past few years. It is a well-made pistol, but it retails



Figure 13: The Glock has become very popular for personal protection.

for nearly \$1,500. The Walther — selling for much less — is just as good. The Glock is popular with law enforcement agencies, and many civilians are buying these for home protection.

Any of the better handguns are capable of performing the function for which they were intended. Selecting one for yourself or to sell in your shop boils down to preference. Many people want a handgun that is light, compact, and, above all, has good accuracy. You can have all the firepower in the world, but if your gun does not shoot accurately, it will do you no good.

The gun you buy should be one that you are comfortable with and can shoot properly. Both the .41 Magnum and .44 Magnum are difficult to master for beginning handgunners; the .357 Magnum does not have quite as much power, and it is easier to learn to shoot than the larger Magnums. You can use .38 Special cartridges for low recoil and then work up to the heavier Magnum loads.

Of course, if you just want a handgun to plink with, a .22 rimfire is fine. This is not the best choice for self-protection, but it may be better than nothing in a life-threatening situation.

Millions of handguns have been manufactured in the past, and over 50 million of these are currently in the possession of U.S. citizens.

The average handgun is presently purchased in part for self-defense, which means that it is fired very little when compared to those used for competition, plinking, and hunting. These seldom-fired handguns often remain in one family for generations. Then these guns are sold for various reasons and become part of the massive used-gun market. Police departments buy hundreds of thousands of new guns each year. So what happens to the ones that are replaced? In most instances, they are traded as partial payment for the new ones, or else they are auctioned off — usually allowing law enforcement personnel to have first bid on them. Many of these trade-ins enter the used gun market. Add to this the hundreds of thousands of gun enthusiasts, each of whom buys dozens of new guns each year, and it is no wonder the number of used handguns on the market is overwhelming. The turnover is astonishing.

The condition of these used guns ranges from useless junk to the finest models valued at several hundred dollars, to priceless antiques demanding five-figure prices and more.

The semi-automatic pistols available on the used market may be broken down into several classes. First, there are the rare collector models such as the Luger, Mausers, etc., which will bring a four-figure price if they are in good condition. The sporting-type .22 rimfire pistols come next; most are manufactured domestically and include the nontarget Colt Woodsman models and variations, plus the similar products of High Standard and Ruger.

Pocket pistols are in a category of their own and include such models as the tiny palm-sized pistols in .22 rimfire and .25 ACE and the larger

.32 and .380 ACP pistols by Walther, Llama, and Mauser. The military and police types are typified by the 1911 Colt Government Model and the S&W Model 39, as well as the Walther P38 and similar models.

Revolvers may also be classified as inexpensive plinking and hunting models such as manufactured by H&R, Iver Johnson, and others. The police versions, such as the Colt Trooper Mark II and S&W Model 19 Combat Magnum, have now flooded the market. Then come the competition models that have been customized for a particular shooter — costing \$1,000 or more, in addition to the original cost of the arm. There are also “packages” like the one shown in Figure 14. These are specially produced by the manufacturer and bring a premium price.

When buying semi-automatic pistols, you should avoid one particular class: the Spanish semi-automatic pistols manufactured under various names by countless companies from 1910 until the mid-1930s. Such guns were often crudely made and contained the cheapest materials available at the time. Dimensional control of critical areas — like chambers and bore — was very poor, with a tendency to be oversized to avoid high pressures and to facilitate functioning. The principal problems encountered with these handguns are poor design, soft working parts which wear rapidly or damage easily, and substandard quality of work, all of which add up to poor functioning, short service life, and low durability.

PRICE TRENDS IN HANDGUNS

If you compare prices of used handguns sold in the U.S. over the past 10 years, you will find that all have increased to some extent, some more so than others.



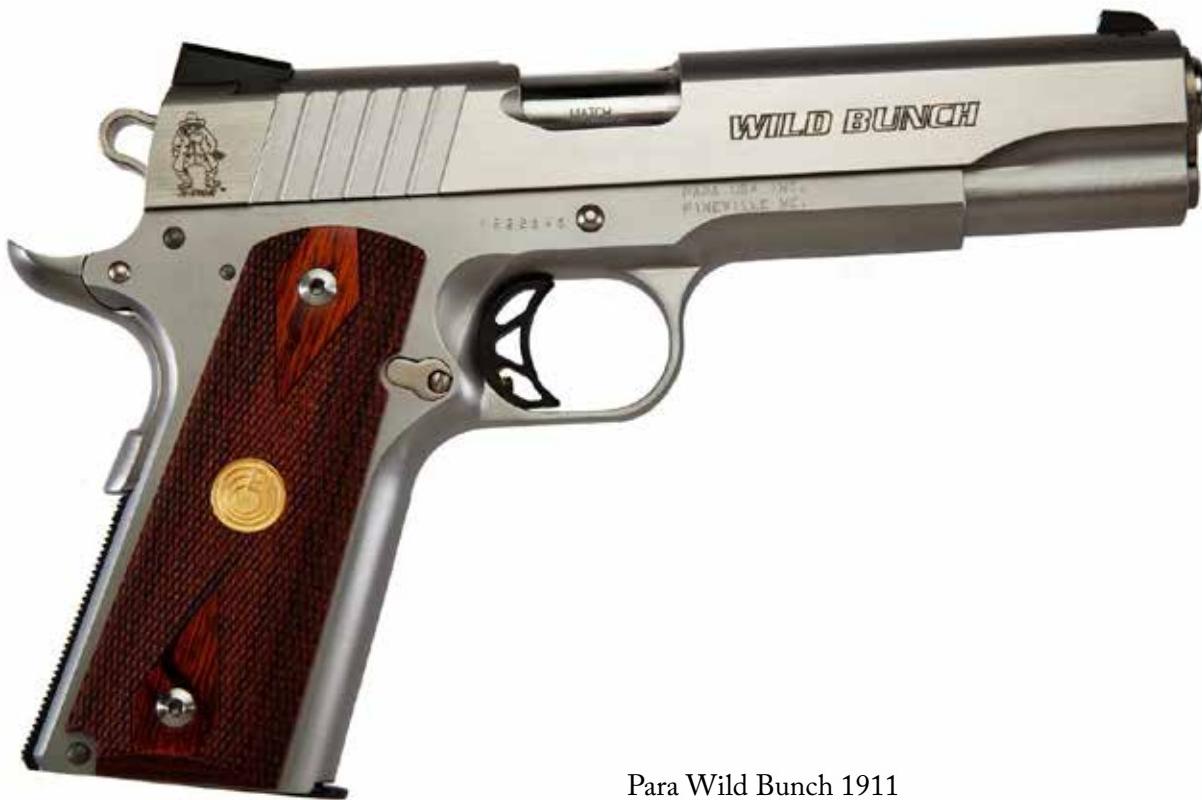
Figure 14: The Colt Python revolver, when contained in a case with accessories, is now in the collector class. Photo from GunsAmerica.com

Used handguns are usually valued at about 30 percent below retail price if they are in excellent condition, because new ones of the same model can be readily purchased from dealers. If in doubt about the value of any handgun, see if you can find the model listed in classified ads in shooting publications. This should at least give you a starting price for evaluating a particular model.

NOTES

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Para Wild Bunch 1911

Introduction

There was a time when any reputable gun dealer could make a decent living selling new firearms. Guns were priced so that the dealer could make a reasonable profit on each sale; no discounts were allowed. In fact, many of the better manufacturers required that each dealer sign an agreement not to reduce prices on their guns. If the dealer was caught reducing prices, the manufacturer revoked the dealer's license to sell that particular brand of firearm. When this manner of gun pricing was in effect, the dealer who sold the most guns usually did so by providing the best service — not the lowest prices — to customers.

Today, such price fixing is unlawful because of federal regulations. Manufacturers can only suggest a selling price; they can no longer insist that a retail price be maintained. In fact, few guns currently sell for the full suggested retail price, with the possible exception of certain limited-production models.

In this lesson you will learn the reasons why most new guns do not sell for the full retail price. This lesson offers tips for selling new guns. You will learn how to outdo your competitors — even the discount houses in your area.



Figure 1: Weatherby firearms are not usually offered for sale at discount houses. If you can sell this brand of firearm in your area, you can expect to get a good profit on each sale.

Current Business Trends

Historically, when the larger gun manufacturers insisted that dealers maintain a certain retail price on their firearms, even the big mail-order firms like Sears, Roebuck and Montgomery Ward were not allowed to cut prices. The Winchesters, especially, were listed in these catalogs at full retail price. However, today, once the merchandise is shipped from the factory, the manufacturer has no control over the selling price. For this reason, it seems that every chain store tries to cut prices more than others, resulting in sales of most modern firearms at around dealer cost, or somewhat below retail.

This practice of price-cutting may be good for the consumer, but the small gun dealer is not able to make enough profit for the effort to be worthwhile. The large chain stores buy in quantity, which enables them to obtain the best prices possible. They also buy direct from the factory, whereas a smaller dealer must go through a jobber or distributor. Individuals who shop around can often purchase firearms at chain stores for less than the dealer's cost from a supplier. From

this, it would seem that there is no way small dealers can compete... or is there?

Some firearms manufacturers refuse to accept orders from discount and chain stores. Weatherby, for example, reportedly never sells to discount houses (Figure 1). Custom gun shops and sporting goods stores are their prime outlets. If Weatherby sold to the discount houses, they would lose much of their business from the smaller dealers. Browning Arms is another example (Figure 2). Although firearms from Browning Arms are sometimes listed in mail-order catalogs, they are listed at full (or nearly) retail price.

SELL SERVICE

The knowledge you have gained from your Sonoran Desert Institute training puts you in a good position to outsell competing businesses — even the discount houses or chain stores that offer firearms to the public at a price that you, as a small dealer, would have to pay. You now have the knowledge to recommend the right gun for the individual customer or for any hunting condition. Furthermore, you know what ammunition to recommend for various shooting situations, and once a customer gains confidence in your ability as a gun expert, he or she will most likely continue dealing with you.



Figure 2: Browning Arms is another manufacturer that lets the dealer make a fair profit on his or her investment.

The most important asset that you have to offer is your knowledge of gunsmithing. Few discount houses have a gunsmith, or even a clerk, who is capable of mounting a telescope sight on a rifle they sell. Here's where your Sonoran Desert Institute training really pays off. In fact, one gun dealer in Front Royal, Virginia, opened his gun shop a few doors down from a Wal-Mart Department store... purposely! He reasoned that people who purchased items from this department store at a discount would need help in installing the accessories, such as sights, rifle slings, etc. His theory paid off. Consider the following scenario: A customer buys a centerfire rifle from the department store and a telescopic sight and mounts, but the department store does not offer an installation service. As the customer exits the department store, the small gun shop is in plain view, and since the customer is anxious to try out the new purchase, he or she stops at the gun shop. Since the new rifle has already been drilled and tapped for scope mounts, it takes the dealer only minutes to install the scope and bore-sight the rifle. The dealer charges the customer about \$30.

While waiting for the scope to be mounted, the customer browses, sees a nice rifle sling, and asks the shop owner to install the sling. The shop owner charges the customer another \$20 for the installation, along with the cost of the rifle sling. The owner makes a few more dollars profit on the sale of two boxes of centerfire ammo before the customer leaves.

So, less than one hour after the customer purchased the rifle and scope from the discount department store, the small gun shop has brought in nearly \$75 from the same customer, servicing the equipment purchased from the department store.

But that is not the end of our story. Consider this: While the shop owner is installing the customer's rifle sling, the customer notices an ammo reloading display — a complete reloading kit for less than \$250. The customer also notices a list of gunsmithing services posted on the shop's wall. In less than 10 days, the customer returns to the gun shop and purchases the reloading kit along with some smokeless powder, primers, and bullets. Furthermore, the customer brings in an old double-barrel shotgun for refinishing. Once the customer is familiar with the expertise and service offered at the small gun shop, he vows to bring his future business there. This example shows how expert training pays dividends.

Gun dealers who accept used guns as partial payment for new ones have the right idea. Few, if any, discount stores will accept trade-ins; nor will they sell used guns. The practice of dealing in used guns, along with new ones, will not only increase the dealer's firearm business, but will increase his or her overall business as well. Many collectors and shooters frequently drop in on shops that handle used guns just to look around. If they do not find what they are looking for,



Figure 3: When selling new guns, gear up for service — selling firearm accessories, installing sights and offering rifle sightings.

they might at least buy a box of ammo, a gun-cleaning kit, or another sporting goods item while they are there.

The profits derived from used gun sales can also be rewarding. As mentioned previously, it is difficult for any small gun dealer to make a high-percentage profit any more on a new gun sale. On the other hand, many dealers make an average of 30-40 percent profit on used guns, and some profits go even higher.

If you know your business, offer good service within a reasonable period of time, and charge fairly for your work, you cannot help but succeed. Then, people will not shop simply for low prices; they will also shop for good service. And good service is what you are capable of giving. Even though your new guns may be priced 10-20 percent higher than the discount houses, many customers will still buy from you because you know your subject and you service what you sell. This one word, service, can mean the difference between success or failure. Always remember this when selling new guns to customers.

So, there are ways to beat the discount houses. It just takes a little extra effort on the dealer's part.

LOOK FOR THE BEST BUYS

Sometimes, a certain model of firearm does not sell the way distributors hoped it would. Rather than storing hundreds of these models in their warehouse, distributors will offer the guns at a substantial discount, sometimes even at factory cost. If you think such guns will sell in your area, this is the time to buy, even if you have to keep them on your shelves a few months until the hunting season arrives.

However, first, try to determine why the model is not selling. For example, one inexpensive .22 rimfire, single-shot rifle that is no longer manufactured had an extremely rough trigger pull as it came from the factory. Buyers returned these rifles to dealers by the hundreds, claiming they could not hit anything with this rifle. One

enterprising dealer found a way to correct this rough trigger pull, spending about 15 minutes repair time on each rifle. He then purchased a number of these guns at or near factory cost, made the corrections to the sear and trigger, sold them at about 10 percent below retail, and still made a good profit. The owners of these refined rifles are still probably using them today. If a similar situation arises, you should know how to correct trigger pull on any rifle (either by honing or with the adjusting screws), and you should be in a position to reap dividends in the same way.

Also look for dealers going out of business. In such cases, a public auction is usually held where individual guns or groups of guns are sold to the highest bidder. If you know your business, you can often pick up new guns at below factory cost. Check in the Yellow Pages of your local telephone directory under "Auctioneers." Call each one and ask them to inform you of any auctions they may be holding where firearms will be offered for sale. Use the same procedure for adjoining towns and cities. You should also check your local newspaper for such auctions. In addition, bankruptcy sales are normally listed in

Ryco Sports			
Ryco, Inc. 702 Commerce Ave. PO Box 1168 Front Royal, VA 22630			
800-334-2679 / 703-635-2184 / (fax) 703-635-8871			
REMINGTON RIMFIRE			
BUY A CASE AND RECEIVE AN ADDITIONAL 5% OFF THE BRICK PRICE			
REM 1022	.22 SHORT HIGH VEL 29GR RN	BOX	BRICK
REM 1322	.22 LONG HIGH VEL 29GR RN	1.79	1.66
REM 1500	.22 LR HIGH VEL 40GR RN	1.85	1.72
REM 1522	.22 LR HIGH VEL 40GR RN	3.45	3.20
REM 1600	.22 LR HIGH VEL 36GR HP	1.72	1.60
REM 1622	.22 LR HIGH VEL 36GR HP	4.03	3.75
REM 1722	YELLOWJACKET .22LR 33GR FCHP	2.01	1.87
REM 1922	VPR .22LR HPR VEL36GR TC50	2.19	2.04
REM 6100	.22 LONG RIFLE TRGT40GR RN	1.79	1.66
REM 6122	.22 LONG RIFLE TRGT40GR RN	3.45	3.20
REM CB-22L	.22 CBEE LONG 30GR RN	1.72	1.60
REM CB-22S	.22 CBEE SHORT 30GR RN	1.85	1.72
REM TB-22A	THUNDERBILT .22LR HV 40GR RN	1.85	1.72
		1.21	1.13

Figure 4: Jobbers and distributors sometimes overstock a particular model of firearm or ammo. If you need the item, or think you can sell this particular model in your area, this is the time to buy.

local newspapers, and the notices are sometimes posted at the local courthouse.

The most probable source of low prices on new guns and ammo is from your firearm distributor. Again, look for special fliers, like the one in Figure 4, that advertise with the best deals.

STOCK THE RIGHT GUNS

You should always try to stock firearms that are going to sell relatively fast. In areas where deer and black bear are the only big game to be hunted, it would not make sense to stock .458 Winchester Magnums or .470 double rifles normally used on African big game. Nor would it be wise to purchase a lot of deer rifles immediately after the season closes, knowing that it will be months before the market will be ripe again.

The types of firearms that move the quickest will vary from area to area, but here are a few tips that should help you get started.

If you are starting from scratch, stocking one or two inexpensive .22 rimfire semi-automatic rifles would be a good choice. You might also try a couple of inexpensive shotguns in 12-, 20-, and .410 gauges. If you are beginning in the spring, check to see if your area has a spring turkey season. If so, a slide-action pump or semi-automatic turkey shotgun would be a good choice. Also consider one or two varmint rifles, like ones chambered for the .222 or .223 Remington cartridges.

In the fall, just before deer season opens, Marlin lever-action rifles in .30-30 are popular in the East, but scoped bolt-action rifles in .243 Winchester, .270, and .30-06 usually sell the best (Figure 5). You will also want a few .22 semi-automatic pistols and perhaps one or two big-bore revolvers.

After a while, your sales will set the pattern for future buys. You should line up a distributor who offers good service where you can obtain practically any model firearm available within a few days. Then, if one of your customers requests a model that you do not have in stock, you can call your distributor and get the gun within a few days.

Eventually, as you check your Firearms Acquisition records, you will find out which models are the most popular in your area. This knowledge will help you buy and stock new guns for future sales...guns that will move relatively quickly without tying up your working capital or causing you to be overstocked.

CHOOSE THE RIGHT LOCATION

The location of your shop can mean the difference between success and failure. It stands to reason that if there is a gun shop on every street corner in your city or town, and all of them are doing poorly, it is probably not the place to open a business — unless you can offer something substantially better. In fact, it may be better for



Figure 5: The Marlin lever-action rifles still do very well for eastern deer and black bear hunting.

you to commute to another town, 20-50 miles away, that has a need for a gun shop. However, there are many ways to beat the competition. Again, service is more important than price.

Always try to deliver on the promised date. This will build your credibility and, in turn, bring more customers to your shop. Many gunsmiths and gun dealers make promises concerning delivery that they do not keep.

Honesty is still the best policy. Even if it means losing a sale, do not make promises that you cannot keep. You will be better off in the long run. For example, if you know that it is impossible to get a certain firearm in less than two weeks, tell your customer this. Chances are, he or she will not be able to get the gun any sooner anywhere else. The customer will respect your honesty about the situation.

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Selling Techniques

For hunting purposes, slide-action and semi-automatic shotguns are currently outselling side-by-side and over/under doubles 10 to 1. The reason may be partly due to firepower, but perhaps the main reason is the higher purchase price of fine double-barrel shotguns. Many grades start at \$1,000, and some go for far more. The slide-action and semi-automatic shotguns hold from two to five rounds (although three shots are the maximum allowed for hunting in most areas in the United States), and offer quick shots at game.

In most areas, single-barrel, break-open shotguns move well, especially in .410 and 20-gauges. These are relatively inexpensive pieces that are often used as camp guns, farm utility guns, or as a child's first shotgun. Some single-shot shotguns have even been offered by manufacturers as "Boy's Models;" that is, the buttstock has been shortened to better fit young shooters. The barrels on these models are usually 26 in. A premium price is often charged for this type of shotgun, and single-shot shotguns that are now in the collector status (like the Winchester Model 37) always bring more money (Figure 6).

The only American manufacturers to produce single-shot, break-open shotguns in recent years are Harrington & Richardson and their successor, New England Arms. Stoeger

Industries imports their IGA single-shot model from South America.

"Boy's Models," are no longer produced, and this can give you another source of income as a gunsmith. For example, you can purchase one of the Stoeger IGS single-shot shotguns in 20-gauge, with modified choke. At the same time, purchase an extra buttstock for the gun. At this point, you should have about \$80 invested.

When a customer comes into your shop to purchase his or her child's first shotgun, have the child try out the original gun as it came from the factory. Chances are, the trigger pull will be too long. Use your Brownells' Pull and Drop gauge to get exact measurements on the young shooter. You can then offer to modify the existing stock to the shooter's dimensions, and install a recoil pad for an additional \$75. All you have to do is remove the existing buttstock, measure the amount of wood that has to be removed, and saw it to the same contour as the original. A thin recoil pad is then installed and sanded down as described in previous lessons.

At this point, the young shooter has a shotgun that fits better than the factory original. Consequently, he or she will be able to shoot better. Also explain to the customer that as the child grows, the gun can be adjusted by installing spacers under the recoil pad or by installing a new, thicker recoil pad to make the trigger pull longer. When the child reaches maturity, merely take off the shorter stock, and replace it with the factory original stock.



Figure 6: Winchester Model 37.

So, you can take an \$80 shotgun, offer your expert advice to your customers, do 30 minutes work on the shotgun, and get \$160-\$200. Discount houses cannot offer this same service.

PRICES*

If you sell one \$100 gun at 25 percent profit (\$125) or five \$100 guns at 5 percent profit (\$105), which transaction has been the most profitable? In these cases, you made \$25 profit from the sale of one shotgun marked up 125 percent. You made \$5 profit from the sale of the shotgun marked up 105 percent, but since you sold five of the latter, you also made \$25 profit from the lot. It seems that you made the same amount of money on both deals... or did you? Let's see.

Let's say you purchased the first shotgun for \$100 (including shipping charges) three months ago, and you borrowed money from your local bank at 12 percent interest to purchase the gun. This means that by the time you sold the gun, it had actually cost you \$100 plus \$3 interest, for a total of \$103. You cleared \$22 on the gun (less operating expenses).

Now consider the five guns. Since you purchased all of them at one time, you saved \$1 shipping on each one (\$99 each). Therefore, the total cost of the guns was $\$99 \times 5 = \495 . You again borrowed money from your local bank at 12 percent interest to make this purchase. However, due to the lower price, these five guns sold in 30 days, costing you only \$4.95 interest on the borrowed money, for a total investment of \$499.95 for the five guns. You sold them for \$525, giving you a clear profit of \$25.05.

At first glance, it seems that you made about \$3.00 more on the sale of the five guns. But remember, it took you five times longer to fill out the required forms, chat with the customers, etc. So did you really make more money?

You can go either way, but remember when you cut your profit down to a minimum, your volume of business has to be great. Also, if you have a problem with one of the sales, you do not have very much profit to fall back on.

We have found that few dealers can stay in business very long making less than 20 percent profit from sales. Consider this fact when you start pricing your guns.

SERVICE

Your knowledge of firearms and the ability to repair or customize them puts you in a good position to sell new guns. You should be able to recommend the right load or cartridge for any game or sport, mount or adjust any type of sight, and install sling swivels. Furthermore, you should know how to modify your customers' guns to suit their needs. For example, when you sell a new rifle or shotgun, perhaps the shooter is very tall; he or she sees too much of the barrel when bringing the shotgun up to aim. You immediately know that your customer needs a longer buttstock. You also know that you can correct this situation by first using your Pull and Drop gauge to take exact measurements, and then installing the correct thickness of recoil pad onto the buttstock.

You have a better chance of selling a telescope sight for a rifle if you know how to mount it and then bore-sight the rifle. Once these two steps have been accomplished, you can instruct the purchaser how to fine-tune the sighting of the scope to suit his or her eyes.

*Note: The dollar amounts listed in this lesson may not be current or may only be representations of value.

These services increase your chances of selling new guns. Even if you make only 10 or 15 percent profit on the gun itself, your knowledge of recommending and installing accessories can reap dividends (Figure 7).

Your superior knowledge of firearms, along with the services you have to offer your customers, is one of the biggest advantages you possess to help you sell new guns. Use this knowledge and your abilities.

ADVERTISING

When you first start a business, you must let potential customers know about it. Advertising is the way to do this. However, most small business operators are untrained in advertising. As much as some businesspeople downplay the value of advertising, the fact remains that advertising is still a business operator's best tool for attracting customers or establishing a market and demand for a product. *The lesson "Promoting Your Business" contains greater detail.*

Effective advertising is a critical element in the ultimate success of any business. Your first question is probably going to be, "How do I start?" By following a very basic outline, any new or existing business can take the first step towards implementing an effective ongoing advertising program. Stick to that program and in time your business will become successful, because you will have become a smarter, more effective advertiser.

Step 1: Determine the identity or image you want to create for your company or shop.

This is not always as easy as it might seem, because it requires a great deal of objectivity. It also requires a strong commitment and a big dose of reality. For example, do you want people to think of your shop as "full service"? If so, you must be prepared to back it up with all the services they will ever want. Do you want to advertise your product or services as the most unique or highest quality ones available? Do not build a whole marketing approach around that premise if you cannot support it. Decide exactly what it is you really have to offer. Then you can decide how to package it and determine what it will take to sell it.

Step 2: Identify your market.

Every business should be able to identify a target group that constitutes its primary market, because that is where the business should focus the bulk of its advertising and promotional efforts. For a gunsmith, this means knowing your geographic limitations within your area — gaining access to available data on statistical profiles of prospective customers — and utilizing local organizations like chambers of commerce, libraries, and community colleges



Figure 7: Your training gives you the knowledge to recommend and install accessories, like a telescopic sight. These extra accessories add up to more income and profits.

for relevant demographic studies. You cannot promote your business effectively unless you know what your market is and where it is located.

Step 3: Decide on a marketing plan.

As a gunsmith, you must decide on a method of operation because that will have a great deal of influence on how, when, and where you advertise. You must decide if your business will operate with a high volume/low price approach (like mass-production bluing jobs) or a small specialized approach (like custom stockmaking), which usually also dictates somewhat higher prices. This is a crucial decision, not only because it is dependent on the determinations you have made in the first two steps, but also because it will dictate what you do in the next step.

Step 4: Establish an advertising budget.

Advertising is an investment. As with any other investment, you need to make a firm commitment if you want to see a positive

return. An advertising budget provides you with parameters for your efforts. Expenditures are deliberate, well thought-out, and systematic rather than hit or miss. Figure 9 provides some simple guidelines for formulating an advertising budget. You and your accountant should determine your advertising budget when you draft your annual business plan. If your accountant tends to shuffle numbers and arbitrarily cut costs, remind him or her that your advertising budget is one expense which must not be cut, because paying for sufficient advertising is as important to your business's existence as paying the rent and utility bills.

Step 5: Formulate an advertising plan.

This step is actually part of the budgeting process, but now we are talking about specific, long-term planning — just exactly how you are going to spend that money you allocated in step four. If you will also be selling guns and ammo on a retail basis, first break down your year into quarters, selling seasons, promotional periods, or months — whatever works for you. After



Figure 8: Once you have a good product or service to offer, you must know how to promote it.



HOW MUCH SHOULD YOU SPEND ON ADVERTISING?

This is one of the most common questions people ask. How much money should you spend on advertising? Some consultants will throw you a number like 8-10 percent of revenues. Some people would say that you need to spend whatever your competitors spend. Others will tell you that you should only spend what you can afford. There is also another school of thought that says you should determine your goal, and set the budget according to the goal.

No wonder why people get confused. Yes, there are lots of ways to determine your advertising budget, and each method works better than others in different types of industries, and different sizes of companies. For service businesses with annual revenues of \$200,000 to \$5,000,000, the method that works the best is 1-5 percent of revenues. You should spend 1 to 5 percent of your revenues on advertising.

This number is lower than what others might tell you, which is often times 8-10 percent of revenues. Why do we tell you to only spend 1-5 percent of revenues on advertising? Because there are other ways to market your business, and advertising is only one way to do it. You might need to re-design your web site to keep up with the times. You might need to create a referral contest to reward the customers that give you the most referrals. You might offer to treat every employee to dinner if customers rate you an average of 90 percent or above on your customer satisfaction survey. All these marketing activities require money, and they are in addition to your advertising budget.

That's why we only tell you to spend 1-5 percent of your revenues on advertising. This leads to the question...When should you spend only 1 percent, and when should you spend 5 percent? Here's the answer. If you want slow, steady growth, spend 1 percent of your revenues on advertising. If you want fast, steady growth, spend 5 percent of your revenues on advertising. None of these will make your company grow too fast. Your growth should be steady whether you spend 1 percent or 5 percent on advertising. So it comes down to how aggressive you want to be. If you want your company to experience fast, steady growth, put 5 percent of your revenues into advertising. If your goal is slow and steady growth, 1 percent of revenues would be enough.

There is something you need to watch out for, however. Just because you've spent 1-5 percent of your revenues into advertising does not necessarily mean that you've done a good job at advertising. You have to direct the money into effective advertising programs! There are some business owners that look at their advertising budget and say, "Hey! I've spent 5 percent of my revenues on advertising. That means I am doing a good job!" Well, not necessarily. Are they spending 5 percent of their revenues into effective advertising, or are they just wasting this money?

Figure 9: How much should you spend on advertising?

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GUNPATCH PARTS DEPOT: Have parts for many American firearms. Send S.A.S.E. for more information to R.R. 3, Box 192M, Augusta, KS 67010.

BAR-STO BARREL, .45 ACP, 6-inch match target, new, \$150, Call Tony at (818) 407-0387.

GUNSMITHS

Figure 10: A small inexpensive classified ad in a local newspaper will often bring in business.

setting aside at least 8-10 percent of your advertising budget as a contingency fund to be used to pay for unplanned promotions or special advertising opportunities, divide the other 90 percent among those several periods. The distribution might be equal or unequal, depending on how you prioritized those time periods. Next, list all the major sales, special events, and ongoing promotions you plan to conduct during each of those periods, and allocate a portion of your funds to each.

Eventually, you will need to be even more specific by deciding how much money to allocate to each medium you will use to promote each individual sale or promotion. But, so you do not get too confused with all those numbers and so you can keep your planning more responsive to current needs, make those final decisions and allocations one period at a time, either by the quarter, the season, the month, etc. The management of your budget will then be more efficient, and the results of your advertising will be much more dramatic.

If you start out part-time, you may want to try a classified ad like the one shown in Figure 10. As your business picks up, you can move to a display ad or online ad like the one shown in Figure 11.



Figure 11: If an inexpensive ad pays off, you might want to try a display ad or online advertising.

CLOSING THE DEAL

You can have a good knowledge of every type of gun on the market, know how to recommend the correct loads for game or target, and know how to install sights, slings, and other accessories, but if you cannot close the deal, all your knowledge will not do you much good.

You will find that each customer that comes into your shop is different. Learn to recognize the right moment to say "Will this be cash or charge?" or "May I wrap this for you?" or whatever it takes to get the sale. However, remember never to make promises that you cannot or will not keep. If you are honest in your dealings and give good service at a fair price, you are well on your way to becoming a success at selling new guns.

Buying Your Stock

When we talk about "buying your stock," we are not talking about a gunstock, nor about special orders. We are referring to the merchandise you will carry in stock in your gun shop. You should be very selective in ordering items on speculation — hoping that they will eventually sell. Many firms have gone bankrupt because they stocked merchandise that would not sell. Consequently, they were forced by the courts to sell everything at public auction — usually at a great loss.

Before spending any money on merchandise to sell in your gun shop, do your homework. Visit other gun shops, sporting goods stores, and department stores selling firearms in your area. See what items these stores carry in stock. Also try to determine what is actually selling. If you can stay in a store for a while, you can learn by watching the customers' reactions to guns offered, and ultimately, exactly what the customers buy.

Another way is to take mental notes of what other stores are carrying in stock. Then go back a week or two later to see if the same items are there.

CASH OR CREDIT?

Many gunsmiths like the freedom of paying cash for everything. This way they are not under as much pressure during times when business is slack. However, most people who are expanding their business will eventually have to use credit to purchase items. Many firearms suppliers will give credit to approved individuals with no interest or carrying charges for a period of 30 days; some even longer. Consequently, you can use this to your advantage; that is, you are not required to borrow money from a lending institution at a high interest rate to stock your business. However, in doing so, always proceed

with caution. If you buy too many items on credit (more than you can sell within a reasonable time) you can get into financial trouble.

One of the best ways to stock your business without investing too much money is to offer to sell used firearms on consignment. A classified ad in a local newspaper could bring in dozens of firearms. Selling on consignment means that an individual gives you a gun or guns to sell for him or her. You are responsible for the guns during the time they are in your possession. You then try to sell the guns for the individual at an agreed-upon price. When the guns are sold, you pay the owner of the gun what you received, less a predetermined amount for your services, which is usually about 15 percent. In other words, the gun's owner is paying you a commission for selling the gun. You are responsible for keeping the guns in good condition and protecting them from fire and theft. In return for your services, you get a commission of 15 percent for selling them.

Obtaining guns on consignment may not be as easy as it sounds. Before most people are going to trust you with their guns, you must first build up a good reputation. However, once you have built a good reputation, taking guns on consignment is a good way to stock your place of business with a minimum amount of cash outlay.

FINDING THE RIGHT SUPPLIER

Firearm suppliers, like some gun dealers and gunsmiths, do not always deliver when they promise. You will want to find a firearm supplier who gives you good service and competitive prices. This may require a certain amount of research.

You can find a jobber or supplier of firearms and related accessories by contacting the manufacturer of the product you desire. They will give you the name, address, and phone number of the closest supplier to you. However, the closest supplier may not always be the best. Check

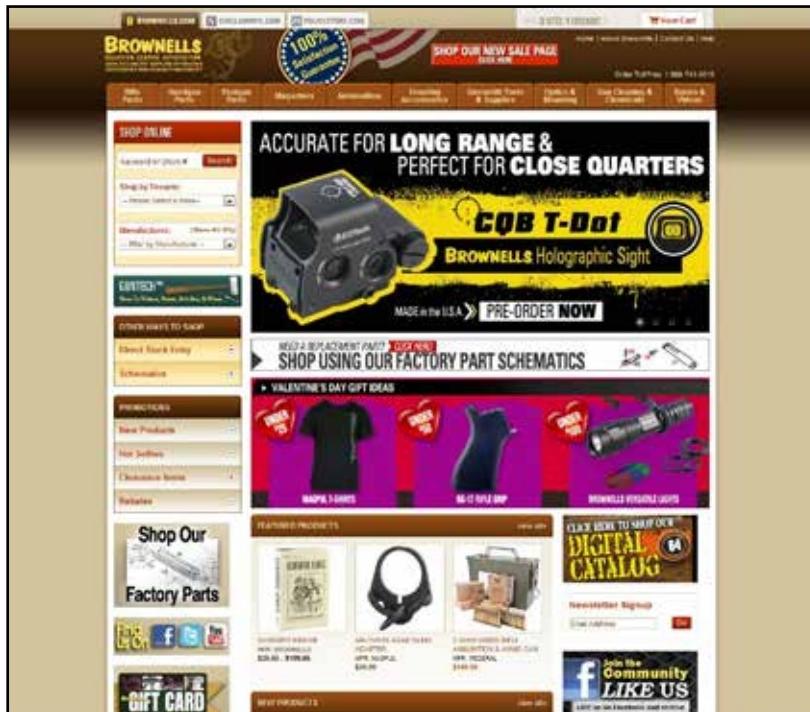


Figure 12: Check the internet or various shooting publications for a list of firearm suppliers.

in shooting publications like *Shotgun News*, *Gun List*, *Shooting Industry*, etc. for various jobbers and suppliers. Many have ads in these publications along with prices of various products. This is one way to cheaply compare prices without running up your phone bill (Figure 12).

You will then want to try some of these suppliers to see how they deliver. Eventually, you will find one or two suppliers who meet with your approval, and you will not have to worry about others unless you need to order a special product that your normal supplier does not carry.

Here are a few things to avoid when choosing a gun supplier:

- Beware of suppliers who give your competitors better prices than they give you. Sometimes a supplier has a favorite gun shop for one reason or another, and will give this gun shop an additional 10-15 percent discount. It will be hard for you

to compete if you must pay more for your merchandise.

- **Beware of broken promises.** If you order something for a customer, and the supplier gives you a shipping date, your customer is going to expect the item a few days after this date. If the ordered item is very late, your customer may purchase it from another dealer and never come back into your shop. There are times when shipment delays are unavoidable. However, if delays happen frequently, it would be a good idea to look for another distributor.

When buying guns and related items for resale, always watch for special sales. Most distributors have such sales one or two times a year, and if you have the money to invest, you can often save a lot by purchasing items you need during these times.

Chapter 8 - Importing Firearms

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Swiss-made Hämmerli 280 pistol.

Introduction

In most cases, a gunsmith who holds a Federal Firearms License (FFL) can import a firearm or two each year without obtaining an importer's license; that is, if the firearm is for his or her own use, or if the firearm remains in the gunsmith's possession for a period of one year or longer before it is sold to another person. However, if you are engaged in the business of importing firearms and ammunition, you must obtain an importer's license.

The Bureau of Alcohol, Tobacco, and Firearms (ATF) defines someone "engaged in the business" as "a person who devotes time, attention, and labor to importing firearms and/or ammunition as a regular course of trade or business with the principal objective of livelihood and profit through the sale or distribution of the firearms imported."

The average gunsmith has little need for an importer's license, but some gunsmiths have made large profits from importing foreign firearms and parts for resale in the United States. In fact, some have made millions of dollars from importing alone.

This lesson will give you an overview of the fire-arm import business, the regulations, and some ways to get started. Finally, this lesson reveals some of the possible sources where you can obtain foreign firearms direct from their manufacturers or distributors.

Even if you are not interested in importing firearms at this time, knowing how it is done will put you in a better position to deal with American importers of foreign firearms.



The Import Business

One of the first, and certainly the largest, dealers in imported and exported firearms in the United States was Francis Bannerman Sons, once located in New York City. For over 100 years this firm specialized in buying and selling firearms and related items in every country in the world. The following paragraphs give a brief history of this firm.

Francis Bannerman VI was born in Dundee, Scotland, in 1851, and came with his parents to the United States in 1854. They located in Brooklyn, New York, where Frank attended public schools until he was 10 years old. It was then that his father, Frank Bannerman V, joined the Union army, and young Frank had to leave school and get a job to help provide for the younger members of the family.

After the Civil War, the Bannermans started a business by attending auction sales, where large quantities of military goods were offered for sale by the U.S. government. Usually, old guns and swords were purchased for their value in metal. Sword handles, usually of brass, weighed about $\frac{3}{4}$ lb. The steel blade and scabbard weighed about 3 lb. Old muskets would net about 7 lb. of iron. Buyers could always find a market for old metal from broken swords and guns. This destruction of old military arms accounts for the present scarcity of these weapons. The Bannermans bought military arms at auction and then repaired the guns for use — a practice that was unheard of until they entered into the business.

In 1872, when rope became scarce in the United States, Frank Bannerman traveled to Europe and bought large amounts of rope for export to New York. This started an import/export business that would exist for more than 100 years.

The Bannerman catalog, published in the late 1800s, contained a wide assortment of military weapons and related equipment, as shown in Figure 1. This catalog induced many to start collecting military weapons.

At the close of the Spanish-American War, Bannerman purchased over 90 percent of the captured guns, ammunition, and equipment, making it necessary to obtain storage space for the millions of cartridges. Bannerman bought Polopel Island in the Hudson River for this purpose and built harbors and storehouses patterned after the baronial castles of Scotland. He also made the island his summer home.

The Bannermans' collection of military arms and ammunition grew until, at the outbreak of World War I, Francis Bannerman Sons was able to arm Britain with a supply of arms and ammunition in only seven days. The number of arms furnished would take manufacturers more than a year to produce!

Other importers/exporters of the period included Godfrey, Schoverling, Daly and Gales, Stokes Kirk and Drefus Brothers of Philadelphia, Schuyler Harley and Graham of New York, and others.

All of the above dealers were involved mostly in surplus military goods, never new firearms.

IMPORTED FIREARMS

The terms *foreign* or *imported*, when applied to sporting firearms, mean different things to different shooters. To some shooters, a foreign firearm is the ultimate firearm; to others, it is just junk. While much research has been done on foreign firearms since World War II, the average shooter is not an authority on foreign guns. Most people do not even know how to distinguish the counterfeit guns from the really superior foreign firearms. True appreciation of foreign firearms can only come when one knows

PELLET, TUBE AND FLINTLOCK GUNS, ETC.



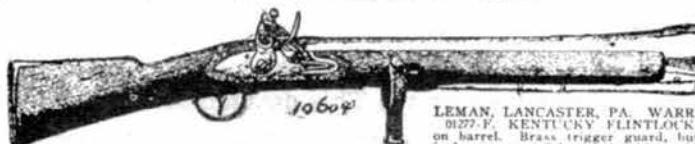
10503-A. U. S. REVOLUTIONARY WAR FRENCH FLINT LOCK MUSKET, lock stamped Charleville, also U. S. pattern adopted at Government Armories when first began the manufacture of guns Springfield, 1775. No sling swivels, as they were considered an encumbrance and were purposely removed. No bayonet, as less than half the soldiers in the Revolutionary War had bayonets on their guns. This is an INTERESTING GUN. IT IS IN SERVICEABLE ORDER. Price \$50.00.

10506-B. FLINT LOCK MUSKET. Perfect order, marked on the barrel "S. N. J." and on the lock "Essex Brigade." Found many years ago in Morristown, N. J. Gun is known as the model 1808, made by J. Henry, Phila., Pa. Price \$25.00.

10606-C. "U. S. N. S. N. STARR MIDDLETOWN, CONN. 1824" stamped on old Flintlock musket complete with the original old white buff leather sling strap in perfect order like new. Price, \$20.00.



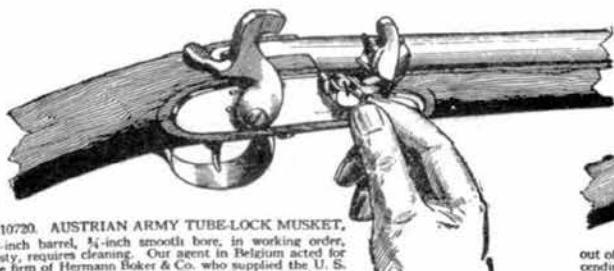
01285-A. COMBINATION KENTUCKY RIFLE AND SHOTGUN. Percussion lock. Barrels originally made to revolve, but now stationary, with the hammer for lower barrel lengthened to fire cap without turning. Like illustration except there is no tang sight, and trigger guard has no extension. Two hammers, two triggers, 34-inch octagonal barrels, with iron rod for rifle barrel, and wood rod for shot barrel. One fitted in groove on each side of barrel $\frac{3}{8}$ inch, shot barrel $\frac{1}{2}$ inch. Brass patch box as shown, checkered grip. Lock marked RIDDELL. Price, \$38.00.



10504. SHIPS MUSKET FLINTLOCK, STAMPED 1787, BLUNDERBUSS pattern, kind furnished in olden times to merchant ships for repelling the attack of pirates and savages. Length of the barrel 2 feet, diameter at the bell mouth $2\frac{1}{4}$ inches, smallest diameter of the barrel near the breech $1\frac{1}{4}$ inches, full length 40 inches, with socket swivel for mounting on ships bulwarks, or on small boat.

10873A. OLD FLINTLOCK DOUBLE BARREL FOWLING GUN, rusty, stock needs repairing, ramrod missing, otherwise complete. Offered as is. \$18.50.

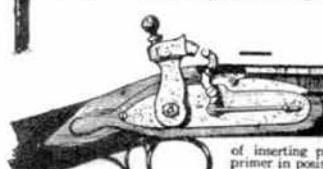
10873B. OLD FLINTLOCK DOUBLE BARREL FOWLING GUN, fairly good order. Fine walnut stock with cheek piece. Brass mountings. Rammer missing. Price \$24.00.



10720. AUSTRIAN ARMY TUBE-LOCK MUSKET, 33-inch barrel, $\frac{1}{4}$ -inch smooth bore, in working order, requires cleaning. Our agent in Belgium acted for the firm of Hermann Boker & Co. who supplied the U. S. Government with about four million dollars worth of guns, sabers, and other war material during the Civil War. He informed me that he altered over 60,000 Austrian tube-lock guns into regular percussion locks. These guns were used to arm the Union Army Volunteers, 1861-1865. Consequently tube-lock guns are now rare, every gun collector needs one to show evolution in fire arms. Offered complete. Price \$16.00.

10579. ANCIENT FLINTLOCK RAMPART GUN, with socket swivel, full length 6 ft. SPANISH LOCK WITH OUTSIDE MECHANISM; $\frac{1}{4}$ -inch smooth bore RIBBED shaped barrel; KNOB shaped muzzle end, silver inlaid front sights, notch in the breech protection forms rear sight. Stock is slightly worn eaten. In working order. Price \$45.00.

10875. ANCIENT AUSTRIAN FLINTLOCK ARMY CARBINE, full length 30 inches, $\frac{1}{4}$ smooth bore. In fine order refined like new. Complete with side ring for attaching to mounted soldier's shoulder belt. Hand grip guard bow. Walnut stock with chevrons. This type of gun was altered in 1861, muskets during the Civil War from flintlock cap guns for use of the Union Cavalry. Our agent, a German residing in Belgium, was knighted by the King for the great work he gave to Belgian workmen in altering guns during the period 1861-1865. As he remarked, "I had Barbers, Tailors, Shoemakers, and all kinds of tradespeople employed as gunmakers." Price of this ancient flintlock in fine order, \$6.85.



LEMAN, LANCASTER, PA. WARRANTED FLINTLOCK RIFLE, similar to 01277-C with larger brass patch box, with same name on barrel. In good order. Barrel 32 $\frac{1}{2}$ inch, heavy octagonal.

01277-E. KENTUCKY FLINT LOCK RIFLE, with 29 $\frac{1}{2}$ inch very heavy octagonal barrel, $\frac{3}{8}$ inch bore. Brass ornamented trigger guard and butt plate. Length 46 inches. Barrel marked: H. E.

01277-F. KENTUCKY FLINTLOCK RIFLE, similar to 01277-E with same maker's name on barrel. Brass trigger guard, butt plate and patch box. Heavy octagonal barrel 24 $\frac{1}{2}$ inch, bore 17/32 inch. In good order. Price, \$42.00.

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the history, background, tradition, psychology, working conditions, methods of manufacture, and equipment that are built into each gun.

While the Chinese were probably the first users of firearms, their inventive genius along these lines seems to have deteriorated 1,000 years ago. In all of Asia, only Japan produced sporting weapons before World War II.

In the twentieth century, sporting arms have been produced in notable quantities only in America and Germany. While English guns have an enviable reputation and sell at fantastic prices, they are not produced in large numbers — usually only 300 guns a year. England produces only a few thousand ordinary-quality firearms annually. The manufacturer of firearms in England is limited almost exclusively to Birmingham and London.

Belgium is famous for its vast number of small gunmakers, who produce everything from the guns considered to be junk to guns of exceptional quality. Liege, Belgium, is the site of the world-famous Fabrique Nationale, usually referred to as F.N. Prior to World War I, F.N. manufactured Mauser actions for the Belgian army. After the factory in Germany (where the original Mauser was made) closed, the Liege factory was the only factory outside of the Iron Curtain that produced Mauser military actions commercially.



Figure 2: The Hammerli name has been a leading one in the field of match shooting. Match pistols are still imported to some extent to the United States.

French manufacture of sporting guns has always been limited. Therefore, there are few, if any, outstanding French sporting firearms. Their production is almost exclusively for home and colonial consumption.

Italy has for many years produced both sporting shotguns and rifles, and the quality is quite good. Recently, several new semi-automatics have been developed, but at a price far beyond their value. However, this development is interesting since Europeans have never favored pump or semi-automatic shotguns, considering them unsporting.

Switzerland is a country with few large arms factories. One of these is the Swiss Federal Guild Factory for the manufacture of Switzerland's military weapons. The factory does not sell firearms commercially, but it does produce a fine military rifle and, until a couple of decades or so ago, produced the Luger pistol for the Swiss Army. The largest commercial arms factory in Switzerland is the Hammerli factory, which is known for its superb match rifles and handguns, like the one shown in Figure 2, which often take first place in international matches. The use of magazine rifles for hunting in Switzerland is forbidden, so very few magazine rifles are produced. Shotguns are made in small quantities, but because of the exceedingly small quantities which imply practically 100 percent hand work, prices on Swiss guns are completely uncompetitive.

The Basque Coast of Spain, on the Bay of Biscay, is the home of the much-maligned Spanish arms industry. For a long time, the term "Spanish Pistol" implied a crudely manufactured pistol of simple blowback principle, made of poor castings and carelessly assembled. Unfortunately, this reputation was justified in most cases by the arms exported to the United States. It is amazing that these pistols functioned at all.

At the close of the Spanish Civil War, General Franco decided that three pistol factories would be sufficient for Spanish requirements. Today,



Figure 3: The Zephyr shotgun, imported by Stoeger from 1930 to 1972, was one of the better Spanish shotguns. Photo from gunsinternational.com

there are only three manufacturers of pistols in Spain, all of whom produce fine pistols, several of interesting and novel design. All these pistols are made from forgings carefully machined, well finished, and carefully tested so that today's Spanish pistols rank among the best. Spain produces a varied line of shotguns similar to Belgian shotguns (Figure 3). Some of the over-and-under guns produced in Spain are comparable to the best pre-war German guns of this type, but the prices for these fine pieces are far too high to make them of any interest on the American market.

It's interesting to note that the new German shotguns and combination guns (drillings, etc.) are of superior quality and better perhaps than those of pre-war days, with very sharp and exacting proofs.

The countries mentioned above represent the only ones producing sporting arms in any notable quantity. Sporting arms are turned out in quantity in Bren in Czechoslovakia, a part of the famous Skoda Works with particular emphasis on Mauser action rifles. We have little information on Russian firearms, but what information we have indicates that some rather crude single- and double-barrel shotguns are being produced for farm use.

Finally we come to Austria. After World War II, the world famous Steyr factory was authorized to recommence manufacture, on a limited scale, of their Mannlicher-Schoenauer sporting rifle, shown in Figure 4. The restrictions on Austria have been somewhat relaxed in the matter of shotgun production, and the town of Ferlach is producing small quantities of fine shotguns. Ferlach is of particular interest since it is the site of the only school in the world for gun engravers. Some of the greatest masterpieces of gun engraving are produced here.

It's interesting to note that the various arms centers of Europe are near iron- and coal-producing areas, and that the art of gun making has been handed down through generations as a family tradition. In Europe, to become a gunsmith, you must first be an apprentice for several years. The first year of apprenticeship is spent exclusively in learning how to handle a rifle. After this, you must have six or seven years more experience, pass various proficiency tests, and build a gun by hand before you may call yourself a master gunsmith. Unfortunately, little such training opportunity exists in America. For



Figure 4: The Mannlicher-Schoenauer has been a popular sporting rifle from Europe since around the turn of the century. This firearm ranks among the highest quality made, and has a price tag to reflect this.

an above-average gun at a popular price, nothing can compete with America's fine machine production, but where the finest custom work is demanded and price is no object, the masterpieces of certain European master gun makers cannot be excelled.

WINCHESTER IMPORTS

The name Winchester is as American as baseball and apple pie, but even Winchester was in the import business at one time.

In 1878, E G. Sanford, an agent of Winchester, was sent on a business trip to Birmingham, England. While there, he received instructions from the company to purchase some of the cheaper grades of English double-barrel shotguns for shipment to Winchester's New York City office because there was a shortage of shotguns in the New York area. At that time Winchester had no facilities for manufacturing shotguns. Winchester believed that considerable additional business could be obtained by the importation and sale of English shotguns.

Sanford purchased the arms from Messrs. W. C. McEntree & Company, Richard Rodman, C. G. Bonehill, and W. C. Scott & Sons. The English guns sold so rapidly in New York that Winchester decided to purchase more of the better grades of English manufacture, to be marked with the Winchester name. This new line, first announced on a loose-leaf insert in the Winchester catalog of 1879, consisted of Winchester double-barrel, breechloading shotguns in the following five grades:

- Winchester Match Gun
- Winchester Class A
- Winchester Class B
- Winchester Class C
- Winchester Class D

In 1880, Winchester announced further details and prices of this new line. The Winchester Match Gun and Classes A, B, and C were all furnished in 10 and 12 bore with either 30-inch or 32-inch laminated steel barrels. The Class D guns were furnished in the same gauges and barrel lengths, but were listed as having English twist barrels (the same as Damascus steel). These guns were sold by Winchester until 1884.

IMPORTS AFTER WORLD WAR II

Shortly after World War II ended, millions of foreign firearms — both military and sporting — were made available. The majority of military weapons used by opposing countries were confiscated. Some were destroyed, but many were sold at auctions to enterprising American dealers. Most of these weapons were purchased as junk, for as little as 10 cents a pound! The main purpose of these government auctions was to enable the American people to obtain relics of the War. However, gunsmiths customized thousands of these rifles for hunters. These rifles also provided the gunsmiths with junk guns to practice on.

It was common to see advertisements in shooting publications offering many of these war relics at \$5 or \$6 each. Refer to Figure 5. Many firms started making millions of dollars by importing firearms. Most continued until the Gun Control Act of 1968, when mail order shipments of firearms to non-licensees were prohibited. At that time, hundreds of these importers went out of business. The few that remained — Numrich Arms, Ye Old Hunter Lodge, and others — struggled to stay in business, selling only gun parts and not the entire firearm. This practice continues today.

Milt Klein says:

"I want you to examine—and Try These GUN and TACKLE BAR-GAINS—To Use as You Choose FOR 30 DAYS—ABSOLUTELY FREE!"

SCOOP! Save \$20.05

"Supreme" Quality Outfit
Rod and Reel, \$39.95

The World's Finest Reel, the Pflueger "Supreme," lever wind and anti-back-tension, complete with the latest accessories for 1952. The reel alone is \$25.00 plus one of the World's Finest Fly Rods. Total outfit, \$59.95. **Warren Beryllium Copper Casting Rod.** The tubular step-down Beryllium Copper Rod made from a very scarce & expensive metal can never break or bend, and their great gun-like strength gives amazing action of true casting. They are also able to withstand the hidden strength that gives these rods their lightning-like resilience. Finest hard chrome guides are beautifully double Nylon wrapped in blue over yellow. Step choice of 4 to 1 1/2 ft. length. Certified \$25.00 plus Klein's Price, while they last.

Both Rod & Reel—\$60.00 Value

SCOOP! Klein's Greatest Rod Bargain \$9.95 Since 1885! \$25.00 Value!

Try one of these beautiful Warren Beryllium Copper Rods described above on our Famous 30 Day Free Trial Plan—these rods are never broken! Total outfit, \$39.95. Your choice of 4 to 5 1/2 ft. lengths. Certified \$25.00 plus Klein's Price, while they last.

SCOOP! Save \$13.55

Lifetime Glass

Pflueger "Summit" Reel & Registered Glass Rod, Both \$19.95

SAVE \$13.55 ON THIS OUTFIT! Pflueger's jewel-like top quality "Summit" Reel, level wind and anti-back-tension. Also included is a 3 1/2 ft. all-weather value Registered Tubular or Solid Glass Casting Rod. Each Rod bears its own registry number and is permanently recorded at the H-I factory. Your choice of 3, 5 1/2, or 6 ft. lengths. Certified \$25.00 plus Klein's Price.

Both Rod & Reel only

Send \$4.95 for a sturdy Tackle Box completely outfitted with Nylon Line, Lures, Leaders, Sinkers, Hooks, Stringers & Scales—all the necessary bait casting accessories you will need.

SCOOP! Save \$15.80

BOTH FOR \$27.95

\$43.75 MASTEREL SPINNING OUTFIT \$27.95

Newest 1952 Model by Aires and H-I. Pflueger Quality Best Aires Black Brown "MASTEREL" Spinning Reel. Rod, 3 1/2 ft. \$23.00 plus \$2.00 value. Hobbs Custom-Crafted Individually Registered \$20.00 value. Translucent Molded Glass Spinning Rod. Smooth as glass! 6 or 7 ft. (state choice) has positive grip check handle, smooth polished finish. Superbly balanced. One-time stainless steel guides with beautiful 2-tone windings. Each rod is individually registered at the H-I factory. Instruction Booklet on Spinning Included.

Both Reel & Rod \$27.95

Send \$1.55 for an excellent assortment of Spinning Lures and Spinning Accessories in a beautiful 12 compartment translucent Plastic tackle box, plus 100 yards of soft braided line. Braided line for spinning lures in your choice of 1, 6 or 8 lb test.

SCOOP! Save \$14.40

\$34.35 Fly Rod & Reel \$19.95

Shakespeare's famous model 1827 "Silent TRU-ART" Automatic Fly Rod. Reel alone is \$10.50, plus Hobbs' Hobson's "Admiral" \$25.00 value. Hobson's Reel, automatic, has a built-in line counter, and comes in one choice of either San Joaquin Tonkin Split Bamboo or woven Tubular Glass. Both the Bamboo and Tubular Glass Fly Rods have the powerful action and fine craftsmanship found in all Shakespeare's famous models. Both Rods are three pieces. Extra tip comes with Bamboo rod. Available in either 5 ft. H. Trout Action or 9 ft. Bass Action. Both Reel and Rod, only \$19.95. Send \$1.55 for an excellent assortment of Fly Tying Materials, transparent Plastic Utility Box, outfit with 100' of flies, Leaders and all the necessary accessories you will need for a successful fishing trip.

SCOOP! **GENUINE WEBLEY 45 REVOLVERS**

Genuine English Webley Revolvers. Six shot, double action, Mark VI. 1 Model. Converted from .455 caliber to .45 A.C.P. in .45 Auto. W.H. barrel, overall 11 1/2". (Also available in Mark IV Model with 4" barrel.) Woods same cartridge as the famous Colt 45 Automatic. Only at Klein's, in Good Condition.

Very Good Condition \$24.95

Very Good to Excellent Condition \$29.95

SCOOP! **GENUINE COLT 45 REVOLVERS**

Uses 45 COLT CTG.!

Genuine Colt New Service 45 Colt Caliber Revolvers at the unbelievably low price of \$21.95! The heated service revolver made. Jainless, solid frame, simultaneous ejection, long octagonal cylinder, positive lock, center fire safety catch, adjustable front and rear sights, overall 5 1/2" barrel. Converted in our own gunshop from .355 caliber to .45 Colt. Only at Klein's, in Good Condition.

Very good condition \$29.95

Very Good to Ex. Condition \$34.95 \$24.95

SCOOP! **GENUINE COLT 38 REVOLVERS**

Uses 38 S & W CTG.!

Genuine Colt Official Police .38 Smith & Wesson Revolvers at the unbelievably low price of \$29.95! Built on heavy frame, it has the weight to absorb the recoil of heaviest loads. Jainless solid frame, simultaneous ejection, swing-out cylinder, positive lock, double action. Checked walnut stocks. Expertly converted from English 28-200 caliber. Overall 10 1/2". Only at Klein's, in Good Condition.

Very Good Condition \$34.95

Very Good to Ex. Condition \$39.95

SCOOP! **NEW! WORLD FAMOUS 22 PISTOL**

\$19.95

COLLECTORS! TARGET SHOOTERS! PLINKERS! FISHERMEN!

Only an amazing and very lucky Special Purchase makes this terrific Gun Bargain possible! This beautiful brand new Rev. quality Target Pistol, about 22 Long or 22 Long Rifle Regular or HI Spec cartridges with outstanding accuracy. It is made from the finest steel by one of Europe's oldest and best arm makers. Single Shot. Beautiful black base metal finish, with silvered barrel and receiver. Top-break action. 7" barrel, blued and tapered, 21 oz. Has feel and performance of guns costing \$50.00 and more! Limited quantity. \$19.95 (Add \$2.00 for 9" barrel Pistol, if wanted)

SCOOP! **SAVE \$5.07**

Famous Hy Score 6 shot 177 caliber Repeating Air Gun. Made in U.S.A. in the finest quality. Most powerful Air Pistol made! Muzzle velocity 450 ft. per second. Blued. Weight 31 oz. All steel construction with thumb rest grips. 7" rifled barrel. Pellets included.

Only at Klein's \$11.88

SCOOP! **SAVE \$10.05**

Your choice of famous 25 caliber West Parket Automatic Pistols. Imported from Spain. Italian made all steel and top quality. 6 shot. Weight 12 oz. 27" barrel. 45" overall. \$29.95

Pearl Grips on "Pepier," as little as \$3.00 extra. 25 Cal. rgs. \$2.95 per 50. Fine holster is \$2.95.

SCOOP! **SAVE \$9.80!**

Brand New! Famous French "Ranger" 22 Long Rifle 12 shot Automatic Pistol. 23" barrel, weight 28 oz. All steel construction. Has hammer safety, streamlined visible hammer, fixed sights, corrugated grips and bayonet lug. Blued finish. Price drastically reduced to

Only at Klein's \$29.95

SCOOP! **SAVE \$2.00**

New Hunting or Fishing Boots, Army Surplus \$1.95 Value. Heavy O.D. Camo. 12" height. Heavy tire tread rubber sole and leather upper heel. Size 7 1/2. 10 1/2" only. While they last.

Only at Klein's \$2.95

SCOOP! **SAVE \$3.07**

Remington 28 Ga. Automatic. 110.45
Smith & Wesson 28 Ga. Outdoorsman 84.73
Barrel Target 84.73
Smith & Wesson 12 Ga. Arms 13.50" barrel 70.50
Smith & Wesson 28 Ga. Target 27" barrel 58.00
Smith & Wesson 28 Ga. Hand Ejector 27" barrel 58.00
Smith & Wesson "Chief" 28 Special" 27" barrel 60.00
H.J. Target 28 shot 27" barrel 27.95
H&R 922 shot 27" barrel 27.95

KLEIN'S

Order from: Klein's Sporting Goods, Inc., Dept. 5-A, 227 W. Washington—Chicago 6, Ill. We hold a 30 Day Free Trial on all Klein's merchandise that Your Money Will be Refunded in Full if you are not satisfied. Send 20% deposit on C.O.D. orders or Payment in full. If you want Credit, write for Credit Order Blank. No Catalog available. Handgun shipments outside U.S.A. and its possessions are not permitted. Firearms Purchasers Sign: I am not an alien and I have never been convicted of a crime of violence, nor am I under indictment or a fugitive from justice.

Occupation _____ Age _____

Figure 5: Hundreds of ads appeared in shooting publications during the 1950s and early 1960s. These importers made millions of dollars on "junk guns."

THE AK47 AND OTHER MILITARY RIFLES

During and after the Vietnam War, paramilitary weapons gained popularity among collectors and firearm enthusiasts. Consequently, Colt came out with the AR-15 rifle, and dozens of other manufacturers followed suit. H & K also produced a host of semi-automatic rifles that resembled the fully automatic weapons used by the military. These weapons sold well, bringing in a lot of money for the manufacturers. However, eventually, these weapons fell into the hands of the wrong people. Consequently, laws were passed limiting the sale of such weapons, and it is doubtful if any will reach high production in the near future.

In the meantime, since the AK47 rifle was used by communist troops in Vietnam, a semi-automatic version of this rifle hit the United States marketplace—most of them coming from China. For a few years, the market was booming. Everyone wanted an AK47 rifle for their collection. Again, restrictions have been introduced to reduce the sale of such weapons, so importing this type of weapon would probably not be profitable at this time.

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Importing Firearms

There are numerous American firms that import foreign firearms every year. For example, Stoeger Industries (the publishers of the world famous *Shooter's Bible*) imports Sako rifles, Llama handguns, and others. Precision Imports, Inc. imports the famous Mauser sporting rifles. William L. Moore & Co. imports Barbi, Ferib, and Piotti shotguns.

Generally speaking, American manufacturers prefer to mass-produce firearms. Some people believe that firearms produced in these conditions are of a lower quality than some firearms produced in Europe, where much hand work is still performed on firearms, allowing the manufacturers to produce higher-grade firearms in limited quantities. Consequently, the market for some higher-grade foreign firearms in America is good. They do not sell quite as well as their American counterparts, but enough sell to make the practice profitable. In fact, if these importers could get around the high liability insurance rates, most would outsell any of the American manufacturers, mainly because of the cheaper labor and materials abroad.

However, all importers face a big problem — shipping the firearms to the United States.

When surface shipping (by ship) is used, the rates are relatively reasonable, and foreign firearms are usually sold at a reduced price. However, recently, importers have discovered that many firearms are stolen when sent by ship. Today, almost all foreign firearms are shipped by air, and this accounts, in part, for the high price of foreign firearms.

Another factor that increases the price of foreign firearms is the duty, or tax, applied to such items. Excise tax adds 10 percent (handguns) or 11 percent (other firearms or ammunition) to the price of all firearms, whether they are imported or manufactured domestically. In some countries, the duty can be as high as 40 percent of the firearm's value. In other words, a \$100 shotgun could cost the importer nearly double by the time it got to the United States. The importer has to make a profit to stay in business, so he or she marks the shotgun up at least 25 percent. By the time it goes through distributors and dealers, this \$100 shotgun might be sold to the consumer for as much as \$500.

AMERICAN FIREARM IMPORTERS

At the end of this section, we provide a list of American importers who handle the majority of foreign firearms available in America. You should contact each of these importers and



Figure 6: Bretton & Gaucher Models G9 & G12, just a few of the firearms listed on their website.

request their catalogs, service manuals, and any other pertinent information available. Most of the catalogs will be available free of charge, but you may have to pay for the service manuals. Therefore, ask for a price before ordering the service manuals. These manuals are invaluable to the gunsmith. Most contain exploded drawings of the firearms, assembly and disassembly procedures, and a list of parts. Some will even have detailed troubleshooting techniques. Once you have these handy manuals on your bookshelf, you will be able to handle any of these firearms that may come into your shop for repair.

FOREIGN FIREARM MANUFACTURERS

Also listed at the end of this section are various foreign firearm manufacturers. Again, we recommend that you contact these manufacturers for assembly/disassembly information, parts lists for their firearms, and perhaps troubleshooting data. In many cases, the information will be in a foreign language, so be sure to request the information in English, if available. Even if the instructions are in a foreign language and English instructions are not available, you can gain much information from the illustrations and charts.

Note: This information has been verified at time of printing.

American Firearm Importers

Connecticut Valley Arms Co.
1685 Boggs Road, Suite 300
Duluth, GA 30096
(770) 449-4687
www.cva.com

Dixie Gun Works, Inc.
1412 W. Reelfoot Ave.
Union City, TN 38261
(731) 885-0561
www.dixiegunworks.com

EMF Co., Inc.
1900 E. Warner Avenue, #10
Santa Ana, CA 92705
(800) 430-1310
www.emf-company.com

Eagle Imports, Inc.
1750 Brielle Ave., #B1
Ocean, NJ 07712
(732) 493-0333
www.bersafirearmsusa.com

Glock, Inc.
6000 Highlands Pkwy. SE
Smyrna, GA 30082
(770) 432-1202
www.glock.com

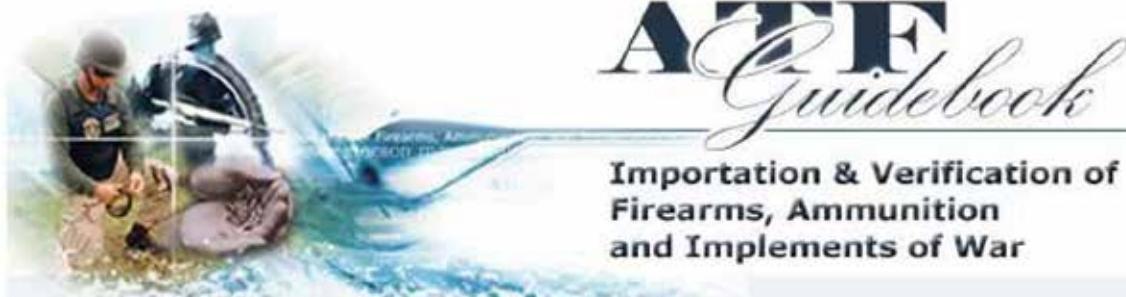


Figure 7: ATF Guidebook contains useful information for anyone interested in importation of firearms.

Heckler & Koch, Inc.
5675 Transport Boulevard
Columbus, Georgia 31907
(706) 568-1906
www.hk-usa.com

Krieghoff International, Inc.
7528 Easton Road
Ottsville, PA 18942
(610) 847-5173
www.krieghoff.com

Weatherby, Inc.
1605 Commerce Way
Paso Robles, CA 93446
(805) 227-2600
www.weatherby.com

Foreign Firearm Manufacturers

Bretton & Gaucher
19, rue Victor Grignard,
Z.I. Mounreynaud,
42 St. Etienne, France
www.bretton-gaucher.com

Johann Fanzoj
9170 Ferlach, Austria
Griesgasse 3
www.fanzoj.com

Izhmash
3, Derjabin Pr., Izhevsk
Udmurt Republic, 426006, Russia
www.izhmash.ru

SigSauer
18 Industrial Drive
Exeter, NH
03833-4557 (603) 772-2302
www.sigsauer.com

Import Regulations

The Gun Control Act of 1968 was passed “to provide support to Federal, State and local law enforcement officials in their fight against crime and violence.” The problem, as perceived by Congress, and the Senate, was that many of the states controlled the commerce in firearms within their territory, but the interstate commerce in firearms was not controlled [18 USC 101].

The term “interstate or foreign commerce” includes commerce between any place in a state and any place outside of that state, or within any possession of the United States. The term “state” includes the District of Columbia, the Commonwealth of Puerto Rico, and the possessions of the United States (not including the Canal Zone) [18 USC 921; 27 CFR 478.11].

The term “importer,” according to the Bureau of Alcohol, Tobacco, and Firearms, means any person engaged in the business of importing or bringing firearms or ammunition into the United States for purposes of sale or distribution; and the term “licensed importer” means any such person licensed under the provisions of the Gun Control Act of 1968 [18 USC 921; 27 CFR 478.11].

IMPORT REQUIREMENTS FOR FIREARMS & AMMUNITION

Under the Gun Control Act, it is illegal for anyone other than a licensed importer to engage in the business of importing firearms or bringing into the United States or any possession thereof any firearm or ammunition except as provided by section 925(d) of the Gun Control Act, which generally allows the importation of sporting firearms and ammunition and certain surplus military firearms classified as curios or relics [18 USC 922(a)(1)].

Sporting Firearms and Ammunition: To qualify for importation as a sporting firearm, a

firearm cannot be an NFA weapon, and must be of a type “generally recognized as particularly suitable for or readily adaptable to sporting purposes” [18 USC 925(d)(3)].

Handguns: Pistols & revolvers must meet size and safety requirements and accrue a qualifying point value specified on ATF F 5330.5 (Form 4590), Factoring Criteria for Weapons.

Rifles and Shotguns: Firearms such as single-shot, lever-action, bolt-action and certain semi-automatic long guns must have generally recognized sporting features.

NOTE: The ATF has determined that certain features designed for military application are indicative of non-sporting rifles and shotguns. Features which are not recognized as sporting include, but are not limited to, folding or telescoping stocks, pistol grips that protrude conspicuously beneath the action of the weapon, a bayonet or bayonet mount, a flash suppressor or threaded barrel designed to accommodate a flash suppressor, a grenade launcher and night sights. These features as well as other information concerning a particular firearm may result in ATF classifying a rifle or shotgun as non-sporting.

Ammunition: Sporting ammunition is all ammunition except tracer or incendiary rounds, ammunition for destructive devices, less than lethal (i.e., rubber projectiles) and armor-piercing ammunition as defined in 18 USC 921(a)(17) and 27 CFR 478.11.

Surplus Military Firearms: A surplus military firearm is any firearm which has ever been possessed by a regular or irregular military force. Surplus military firearms are prohibited from importation under 18 USC 925(d)(3). However, 18 USC 925(e) authorizes licensed importers (FFL type 08 or 11) to import surplus military

rifles and shotguns classified as curios or relics and handguns, classified as curios or relics, which meet the sporting criteria. In order to qualify for importation, the firearms must be in their original military configuration and cannot have been sporterized. Further, under the Arms Export Control Act (AECA), the importation of U.S.-origin surplus military firearms is generally prohibited without retransfer authorization from the Department of State [27 CFR 447.57].

THE IMPORT PROCESS

Any person engaged in the business of importing firearms or ammunition for resale must be licensed as an importer under the Gun Control Act of 1968 and, if he is importing firearms, ammunition, firearms parts or implements of war (other than sporting shotguns, shotgun shells, or shotgun parts) he must also be registered as an importer under the Arms Export Control Act of 1976. No permit to import such articles for resale will be issued until the importer is properly licensed and registered. ATF Form 6 - Part I (5330.3A) is used to obtain approval for such importation [27 CFR 478.41; 27 CFR 478.112; 27 CFR 447.31].

1. A federal firearms licensee other than an importer, may make an occasional importation of sporting firearms or ammunition (excluding surplus military) for himself or an unlicensed person in the licensee's state, provided that the firearms and ammunition are intended for personal use of the person for whom they are imported and not for resale. ATF Form 6 - Part I (5330.3A) is used to obtain approval for such importation [18 USC 922(a)(1)(A); 27 CFR 478.113].

2. A permit is not required for a firearm or ammunition brought into the United States or any possession thereof by any person who can establish to the satisfaction of U.S. Customs and Border Protection (CBP) that such firearm or ammunition was previously taken out of the United States or any possession thereof by such person [27 CFR 478.115].
3. A nonimmigrant alien entering the U.S. temporarily needs to submit an ATF Form 6NIA (5330.3D) (Application and Permit for Temporary Importation of Firearms and Ammunition by Nonimmigrant Aliens) to temporarily import his personally owned firearms. He must take their firearms and unexpended ammunition with them when they leave the U.S [27 CFR 478.115].
4. A permit is not required for the return of a repaired firearm, or replacement firearm of the same kind and type, to the person in the United States who sent the defective firearm out of the United States for repair. You need to make sure this is legal under state law before obtaining a replacement firearm. If it is not, the replacement firearm would have to be imported by a licensee.
5. An unlicensed person may obtain a permit to import sporting type ammunition (excluding tracer or incendiary) and fire-arm parts (other than frames, receivers or actions) without engaging the services of a federal firearms licensee, provided that the importation is for his personal use and not for resale
6. A nonresident U.S. citizen returning to the United States from a permanent residence outside of the United States may file ATF Form 6 Part I permit application without having to utilize the services of a federally-licensed firearms dealer. The nonresident should include a statement, either on the application form or on an attached sheet that the firearms are being imported for his personal use and not for resale and that he is a nonresident U.S. citizen returning to the United States. The firearms must accompany the nonresident U.S. citizen on entry into the United States, since once he is in the United States, and has acquired residence in a state, he may not directly import a firearm. If he has already established residency in a state, he would have to engage the services of a federally licensed firearms dealer in his state of residence to import the sporting firearms (excluding NFA and surplus military) for him.
7. A nonresident alien immigrating to the United States may also file ATF Form 6 Part I permit application without



Figure 8: Originally Manufactured by the Mauser factory in 1942 for the Nazi Army.

having to utilize the services of a federally licensed firearms dealer. He should include a statement, either on the application form or on an attached sheet that the firearms are being imported for his personal use and not for resale and that he is a nonresident alien immigrating to the United States. The firearms must accompany the alien on entry into the United States, since once he is in the United States, and has acquired residence in a state, he may not directly import a firearm. If he has already established residency in a state, he would have to engage the services of a federally licensed firearms dealer in his state of residence to import the sporting firearms (excluding NFA and surplus military) for him.

The import process generally works by a licensee filing an application to import a firearm or ammunition on ATF Form 6, Part I. This is usually done before the firearm is actually brought into the country. Form 6, Part I must be approved before the firearm or ammunition can be removed from Customs custody [27 CFR 478.112(b)].

Once Form 6 is approved, the importer completes Part I of ATF Form 6A and gives it, along with a copy of the approved Form 6 to the Customs & Border Protection (CBP) official who will complete Part II of the form, documenting the release from CBP custody, and will send the form to ATF. At that time, the importer will also have to give the CBP official a copy of the export license from the exporting country authorizing the exportation of the firearm, firearm barrel or ammunition from the exporting country. If that country does not require such a license, the importer will have to submit a certification, under penalties of perjury, to that effect [27 CFR 478.112(c)].

Within 15 days, a licensed importer must complete Part III of the form, informing the ATF of any discrepancies in the shipment. If the serial numbers of firearms were not known when Form 6 was filed, they must be given to the ATF at the same time Part III of Form 6A is completed. At that time, the firearms must be marked as required by 27 CFR 478.92 [27 CFR 478.112].

ATF Form 6 Parts I, II, 6NIA & 6A Exemptions

1. No approved ATF Form 6 is required to import any antique firearm, as that term is defined in the GCA and the NFA [27 CFR 478.115(c)].

NOTE: You may need to supply proof to Customs to establish that a certain firearm, which is not marked as being manufactured in or before 1898, is an antique firearm as defined in federal law.

2. Importations by agencies of United States Government are exempt from ATF's import controls and permit requirements [27 CFR 478.141(a)(1); 27 CFR 447.53.(a)(1)].
3. The person who exported/took the goods out of the United States and is returning them to the U.S. [27 CFR 478.115(a)].
4. Foreign military personnel on official assignment to the U.S. who bring firearms or ammunition into the U.S. for their exclusive use while on official duty in the U.S. (excluding NFA weapons) [27 CFR 478.115(d)(2)].
5. Official representatives of foreign governments who are accredited to the U.S. government or are en route to or from other accredited countries (excluding NFA weapons) [27 CFR 478.115(d)(3)].

6. Officials of foreign governments and distinguished foreign visitors who have been so designated by the Department of State (excluding NFA weapons) [27 CFR 478.115(d)(4)].
7. Foreign law enforcement officers of friendly foreign governments entering the U.S. on official law enforcement business (excluding NFA weapons) [27 CFR 478.115(d)(5)].

LICENSING

To engage in the business of importing firearms or ammunition, you must first file an application and receive a license to import from the ATF. Remember, while other licensees can make occasional importations for themselves or non-licensees, they are for personal use only. Each applicant must pay a fee for obtaining such a license; a separate fee is required for each place the applicant is to do business. The fees are as follows [27 CFR 478.42]:

- If the applicant is an importer of destructive devices, ammunition for destructive devices, or armor-piercing ammunition, the fee is \$3,000 for 3 years.
- If the applicant is an importer of firearms other than destructive devices, ammunition for firearms other than destructive devices or ammunition other than armor-piercing ammunition, the fee is \$150 for 3 years.

- If the applicant is a dealer in destructive devices or ammunition for destructive devices, the fee is \$3,000 for 3 years.
- If the applicant is a dealer dealing in firearms other than destructive devices, the fee is \$200 for the first 3 years and \$90 for each subsequent 3-year renewal. This is the license held by pawnbrokers and gunsmiths who do not engage in the business of manufacturing.
- If an applicant is qualified and has filed the proper application and paid the prescribed fee, the ATF will issue to a qualified applicant the appropriate license, entitling the licensee to transport, ship, and receive firearms and ammunition covered by such license in interstate or foreign business during the period stated in the license [27 CFR 478.47].

The ATF shall approve or deny an application for a license within the 60-day period beginning on the date the properly executed application was received [27 CFR 478.47(c)].

The ATF may, after notice and opportunity for hearing, revoke any license issued under this section, if the licensee has willfully violated any provision of the Gun Control Act or any rule or regulation in 27 CFR Part 478 [27 CFR 478.73].

Each licensed importer, manufacturer, and dealer must maintain records of importation, production, shipment, receipt, sale, or other disposition of firearms at his or her place of business.

The form and the length of time these records must be kept is determined by the attorney general [27 CFR 478.121; 18 USC 923(g)].

The ATF can conduct an inspection of your business premises once a year without a warrant. They have the right to enter your business premises and to examine your records, documents, ammunition and firearms. They must do this during your stated business hours [27 CFR 478.23].

If they have conducted an inspection less than a year ago, the ATF can ask for your consent to do an inspection. They do not need a warrant to do this. You do not have to give your consent. If they are asking for your consent to do an inspection less than a year after they've done one, you have the right to ask why and to use that information to help make your decision. It is highly recommended that you contact an attorney, knowledgeable in firearms law and a FFL representation, before making any decision to consent to an inspection.

If the ATF believes that you are in violation of the law, and they have conducted an inspection less than a year ago, they can obtain a warrant, from a federal magistrate, to inspect your

business during normal business hours. They will be able, with this warrant, to enter your business premises and to examine your records, documents, ammunition and firearms. So be sure that your records are accurate and up-to-date [27 CFR 478.23].

If the ATF believes there is reasonable cause to believe that a crime has taken place, they can obtain a warrant from a federal magistrate to search your business premises or anywhere else authorized by the magistrate. The warrant will list exactly what they're looking for. If they use this option, they are thinking of criminal prosecution and you need to speak to your attorney immediately.

This is a simplified version of the law. You should read and thoroughly understand the first 11 pages of ATF Publication 5300.15, *Federal Firearms Licensee Quick Reference and Best Practices Guide*, and become familiar with ATF Publication 5300.4, *Federal Firearms Regulations Reference Guide*, that come with your FFL. The above fees may change periodically, but they are set by law and it would require a change in the law to change them.

Questions and Answers

Who may ship a firearm through the mail?

A non-licensee may not transfer a firearm to a non-licensed resident of another state. A non-licensee may mail a shotgun or rifle to a resident of his or her own state or to a licensee in any state. The postal service recommends that long guns be sent by registered mail and that no marking of any kind which would indicate the nature of the contents be placed on the outside of any parcel containing firearms. Handguns are not mailable. A common or contract carrier must be used to ship a handgun [18 U.S.C. 1715, 922(a)(3), 922(a)(5) and 922 (a)(2)(A)].

Does an importer or manufacturer of firearms also need a dealer's license?

No, as long as the importer or manufacturer is engaged in the business of dealing in firearms at the licensed premises in the same type of firearms authorized by the importer's or manufacturer's license [27 CFR 478.41(b)].

May a licensee who does not have an importer's license make an occasional importation?

Yes. A licensed dealer may make an occasional importation of a firearm for a non-licensee or for the licensee's personal use (not for resale). The licensee must first submit an ATF Form 6, Part I to the ATF for approval. The licensee may then present the approved Form 6 and completed ATF Form 6A to U.S. Customs and Border Protection. Contact the ATF, Firearms and Explosives Imports Branch for forms, or order them from the ATF Distribution Center by calling (202) 648-6420 or download them from the ATF Web page at <http://www.atf.gov/forms/firearms/> [27 CFR 478.113].

When preparing an import permit application on ATF Form 6 Part I, Part II, or Form 6NIA, do I have to report the actual barrel length and overall length of the firearm I want to import?

Yes, the barrel length and overall length of a firearm are required pieces of information on an import permit application. Gun Control Act (GCA) regulations in 27 CFR 478.112(b) and Arms Export Control Act regulations in 27 CFR 447.42(a)(1) make this information a mandatory part of completing the permit application. Applications that lack this information, provide only a range (e.g., 18-24 inches), or that are non-specific (e.g., 18+ inches) with respect to barrel length and overall length, will be returned without action by the ATF for more information from the applicant.

Barrel length and overall length are important factors in helping the ATF determine whether a firearm is importable, helping U.S. Customs and Border Protection reconcile a permit to the actual shipment during the release process at a port of entry, and may be useful in assuring that the correct duty is paid. In addition, the barrel length and overall length of a firearm are determining factors in whether a firearm is subject to the additional controls of the National Firearms Act (NFA). A shotgun having a barrel of less than 18 inches and an overall length of less than 26 inches and a rifle having a barrel of less than 16 inches and an overall length of less than 26 inches are classified as NFA weapons [27 CFR 478.112(b)].

How does a person qualify to import, manufacture, or deal in NFA firearms?

The person must be licensed under the GCA and pay the required special (occupational) tax imposed by the NFA. After becoming licensed under the GCA, he or she must file ATF Form 5630.7 with the appropriate tax payment in the entire amount with the ATF. In addition, an importer (except importers of sporting shotguns and shotgun ammunition) must also be

registered with the ATF under the Arms Export Control Act of 1976 [26 U.S.C. 5801, 18 U.S.C. 923, 27 CFR 447.31, 478.41 and 479.34].

Does a single special (occupational) tax payment entitle a person or firm to import and manufacture firearms?

No. A separate special (occupational) tax payment must be made for each of these activities. However, Class 1 (importer) and Class 2 (manufacturer) special (occupational) taxpayers are qualified to deal in NFA firearms without also having to pay special (occupational) tax as a Class 3 dealer [27 CFR 479.39].

SDI is grateful to Firearms Industry Consulting Group for editing the gun law information provided in this section.

Firearms Industry Consulting Group (FICG), a division of Prince Law Offices, P.C., is a firearms industry specific group of attorneys and consultants dedicated to the protection of the 2nd Amendment of the U.S. Constitution in all aspects of firearms law. Handling issues from incorporation, using in-house generated firearms industry specific documents to ensure the utmost protection of our clients, to warning conferences, revocations and other issues with the Bureau of Alcohol, Tobacco, Firearms and Explosives, FICG is proud to boast a national, and now even international, reputation in the industry. In providing the best protection and advice for its clients, FICG also employs retired ATF firearms and explosives consultants, such as Howard Wolfe, for conducting mock compliance checks and for consultation on other legal issues. The driving force behind FICG is Attorney Joshua Prince, who has garnered a national reputation for protection of the 2nd Amendment and, within Pennsylvania, Article 1, Section 21 of the PA Constitution.

Additional Information on Gunsmithing Business and Laws



The information in this book is current at time of printing, since gun laws are continually changing, it is suggested you check with the state and local government along with the ATF to find current information. www.atf.gov.

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Appendix 1 – National Firearms Act

NATIONAL FIREARMS ACT (NFA) - TECHNICAL

The “National Firearms Act” (26 USC Chapter 53) regulates machine guns, destructive devices and certain other firearms. It is part of the Internal Revenue Code.

The NFA defines the “firearms” it covers as:

1. Shotgun with barrel(s) length of less than 18”
2. A weapon made from a shotgun with an overall length of less than 26” or barrel(s) less than 18” in length
3. Rifle with a barrel(s) length of less than 16”
4. A weapon made from a rifle with an overall length of less than 26” or barrel(s) less than 16” in length
5. Any other weapon as defined in subsection (e)
6. Machine gun
7. Silencer
8. Destructive device

The term “any other weapon” includes:

1. “Any weapon or device capable of being concealed on the person from which a shot can be discharged through the energy of an explosive.” However, the definition specifically excludes pistols or revolvers with rifled bores.
2. A pistol or revolver with a smooth bore that can fire a fixed shotgun shell.

3. “Weapons with combination shotgun and rifle barrels 12” or more, less than 18” in length from which only a single discharge can be made from either barrel without manual reloading.”

Some examples of “any other weapon” are:

1. H & R Handguns
2. Ithaca Auto-Burglar guns
3. Cane guns
4. Gadget-type firearms and “pen” guns that fire a projectile by the action of an explosive

The term “destructive device” includes:

1. (a). Any explosive, incendiary or poison gas
 2. Bomb
 3. Grenade
 4. Rocket having a propellant charge of more than 4 oz.
 5. Missile having an explosive or incendiary charge of more than $\frac{1}{4}$ oz.
 6. Mine
 7. Similar device
1. (b). Any type of weapon that will or may be readily converted to expel a projectile by the action of an explosive or other propellant with barrel(s) that have a bore of more than $\frac{1}{2}$ ”. However, the definition specifically excludes shotguns or shotgun shells that the Director of ATF finds are “generally recognized as particularly suitable for sporting purposes.”

- (c). Any combination of parts designed or intended to convert any device into a destructive device as described in (a) or (b).

The term “destructive device” also does NOT include:

1. Any device that is not designed or re-designed as a weapon
2. Any device originally designed as a weapon, which is redesigned for use as a signaling, pyrotechnic, line throwing, safety or similar device
3. Surplus ordnance sold, loaned or given by the Secretary of the Army under 10 USC 4684(2), 4685 or 4686
4. Any device that the Director of ATF finds either
 - is not likely to be used as a weapon
 - is an antique
 - is a rifle which the owner intends to use solely for sporting purposes
5. Examples of destructive devices are:
 - Molotov Cocktails
 - Mortars
 - Bazookas

A “machine gun” is a firearm that fires, is designed to fire, or can be readily restored to fire more than one shot without manual reloading by a single function of the trigger.

The term also includes:

1. The frame or receiver of any such weapon
2. Any part, or combination of parts, designed for use in converting a weapon to a machine gun

3. Any combination of parts from which a machine gun can be assembled (If under the control of a person)

The “Machine Gun Ban” of 1986 makes it illegal for a private citizen to transfer or possess a machine gun.

Government agencies, including police departments, are exempt from this law.

Machine guns that were lawfully possessed before the effective date of this law, May, 19, 1986, are exempt from this law.

All other NFA weapons were not effected by the Machine Gun Ban.

REGISTRATION & TAXES

1. All NFA weapons must be registered under federal law.
2. No transfer of an NFA weapon can take place until the application has been approved by ATF.
3. No NFA weapon can be made by a non-occupational taxpayer until the application has been approved by ATF.
4. There is a “Making Tax” of \$200 imposed on the making of an NFA weapon by a non-occupational taxpayer.
5. There is a \$200 “Transfer Tax” imposed on the transfer of an NFA weapon to or from someone who is not an NFA occupational taxpayer.
6. There is a \$5 “Transfer Tax” imposed on the transfer of an NFA weapon classified as an “Any Other Weapon” to or from someone who is not an NFA occupational taxpayer.

NFA OCCUPATIONAL TAXES

- Importer of NFA Firearms
- \$1000/Year
- Manufacturer of Firearms
- \$1,000/Year
- Dealer of NFA Firearms - \$500/
Year

Importers and Manufacturers can pay a reduced rate of \$500 if their total gross receipts in the last taxable year were less than \$500,000.

An NFA Occupational Taxpayer must be licensed under the Gun Control Act to carry out the proposed activity.

An occupational taxpayer is exempt from transfer or making taxes.

If someone liable for occupational tax establishes, to the satisfaction of the Director of ATF, that his business is conducted “exclusively with, or on behalf of the United States,” the Director shall relieve him from payment of the tax.

A person who manufactures NFA weapons for, or on behalf of, the United States may be relieved from compliance with any provision of 27 CFR Part 179.

NATIONAL FIREARMS ACT (NFA) TRANSACTIONS

Types of NFA Transactions

Generally, NFA transactions fit into the categories we discussed previously. However, because of the tax issues, we sometimes classify them differently.

Tax Exempt Transactions

- Transfer between NFA taxpayers (ATF Form 3)
- Tax exempt manufacture on behalf of gov’t agency (ATF Form 1)
- Transfer to or from a gov’t agency (ATF Form 5)
- Transfer of an unserviceable Firearm (ATF Form 5)
- Transfer to a lawful heir (ATF Form 5)
- Transfer by operation of law (eg. Court Order)(ATF Form 5)
- Manufacture by an occupational taxpayer (ATF Form 2)
- Importation by an occupational taxpayer (ATF Form 9)

Taxable Transactions

1. Transfer between occupational taxpayer and non-occupational taxpayer (ATF Form 4)
2. Transfer between two non-occupational taxpayers (ATF Form 4)
3. Manufacture by non-occupational taxpayer (ATF Form 1)

Appendix 2 — Gun Shows/Raffles

GUN SHOWS

A dealer can sell firearms at two types of locations:

1. His business premises
2. A gun show or event in his home state

What is a gun show?

27 CFR 478.100(b) has a definition.

An event sponsored by any national, state or local organization, devoted to the collection or sporting use of firearms or by an organization that sponsors functions devoted to the collection or sporting use of firearms in the community.

- Licensees conducting business at gun shows must keep records and conduct business as if they were at their licensed premises. Their records must indicate the location of the gun show and be kept with their other records at their premises.
- A flea market is not a gun show.
- A dealer can buy or acquire firearms anywhere!

A dealer at an out-of-state gun show may only:

- Sell and deliver curio or relic firearms to another licensee
- Display firearms
- Take orders for firearms

These orders would have to be filled from the licensee's premises by shipping the firearms to a dealer in the purchaser's home state.

GUN RAFFLES

A dealer can provide a firearm to be raffled by an organization in three ways:

1. The dealer sells the gun to a representative of the organization, who completes Form 4473 and is checked through NICS. The buyer must provide a written statement, signed under penalties of perjury, stating as follows:
 - That the firearm is being acquired for use by and will be property of the organization.
 - The name and address of the organization.

The organization then transfers the firearm to the winner as a non-licensee. Obviously, this can only be used if the organization is a non-licensee.

This is not favorable for several reasons:

- If gun is misused, it traces to the wrong person.
- If the winner is prohibited, the organization and dealer could be sued.
- To do this, the winner must be a resident of the same state as the purchaser.
- There are two easier, safer ways to handle the raffle.

2. The organization pays the dealer for the gun. The winner goes to the gun shop, fills out form 4473, and, after a successful NICS check is run, he is given the firearm.

- While he's in the shop, the dealer can sell him something else!
3. If the raffle can qualify as a gun show, the dealer can do his paperwork, run an NICS check and dispose of the gun to the winner there.



Appendix 3 — Firearms Transaction Records

FIREARMS TRANSACTION RECORDS

Forms 4473, the “heart” of the Gun Control Act.

Filled out whenever a licensee sells a firearm to a non-licensee.

This form is the source of information for the NICS check.

Buyer must complete and sign Section A before the insta-check is conducted.

- If question 11a is answered “no,” the licensee cannot make the sale.
- If any of questions 11b to 11k is answered “yes,” the licensee cannot make the sale.
- If question 11l is answered “yes,” you are dealing with a non-immigrant alien and the “non-immigrant alien rules” apply.

Section B –Identification of Customer

Section C- Insta-check information & NICS, or state approval number.

Section D -Firearms purchased and seller’s signature.

That signature must be the person who actually made the sale.

IDENTIFICATION OF CUSTOMER

A valid government-issued photo I.D. is required. A customer must have identification that covers all of the following:

1. Name
2. Address
3. Date of birth
4. Photograph

More than one form of identification may be used to cover all the required information, but all of the forms of identification must be government-issued I.D.

If there is no government-issued photo I.D., there can be no disposition of a firearm to that customer by an FFL holder.

Social Security cards are not acceptable as identification.

Remember, a non-immigrant alien is a prohibited person unless he meets one of the exemptions:

1. Here for a shooting event.
2. Here for a hunting trip.
3. Has a current hunting license.
4. An official representative of a foreign government who is either accredited to the United States Government or the Government’s mission to an

- international organization having its headquarters in the United States or is en route to or from another country to which that alien is accredited. This exception only applies if the firearm or ammunition is shipped, transported, possessed, or received in the representative's official capacity.
5. An official of a foreign government or a distinguished foreign visitor who has been so designated by the Department of State. This exception only applies if the firearm or ammunition is shipped, transported, possessed, or received in the official's or visitor's official capacity, except if the visitor is a private individual who does not have an official capacity.

6. A foreign law enforcement officer of a friendly foreign government entering the United States on official law enforcement business.

You will probably never see 4, 5 & 6 above. If you do, see the instructions for Question 20C on Form 4473. Remember, you must see documentation to accept the exemption.

OMB No. 1140-0020

**Firearms Transaction Record Part I -
Over-the-Counter**

**U.S. Department of Justice
Bureau of Alcohol, Tobacco, Firearms and Explosives**

WARNING: You may not receive a firearm if prohibited by Federal or State law. The information you provide will be used to determine whether you are prohibited under law from receiving a firearm. Certain violations of the Gun Control Act, 18 U.S.C. §§ 921 et. seq., are punishable by up to 10 years imprisonment and/or up to a \$250,000 fine.

Prepare in original only. All entries must be handwritten in ink. Read the Notices, Instructions, and Definitions on this form. **PLEASE PRINT.**

Section A - Must Be Completed Personally By Transferee (Buyer)

1. Transferee's Full Name Last Name	First Name	Middle Name (If no middle name, state "N/M/N")			
2. Current Residence Address (U.S. Postal abbreviations are acceptable. Cannot be a post office box.) Number and Street Address		City			
3. Place of Birth U.S. City and State	Foreign Country	4. Height Ft. ____ In. ____	5. Weight (Lbs.)	6. Gender <input type="checkbox"/> Male <input type="checkbox"/> Female	7. Birth Date Month Day Year
8. Social Security Number (Optional, but will help prevent misidentification)					
9. Unique Personal Identification Number (UPIN) if applicable (See Instructions for Question 9.)					
10.a. Ethnicity <input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino <input type="checkbox"/> Black or African American <input type="checkbox"/> White <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> Asian					
11. Answer questions 11.a. (see exceptions) through 11.l and 12. (if applicable) by checking or marking "yes" or "no" in the boxes to the right of the questions. a. Are you the actual transferee/buyer of the firearm(s) listed on this form? Warning: You are not the actual buyer if you are acquiring the firearm(s) on behalf of another person. If you are not the actual buyer, the dealer cannot transfer the firearm(s) to you. (See Instructions for Question 11.a.) Exception: If you are picking up a repaired firearm(s) for another person, you are not required to answer 11.a. and may proceed to question 11.b. b. Are you under indictment or information in any court for a felony, or any other crime, for which the judge could imprison you for					
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No					

Appendix 4 — ATF Inspections

Generally, ATF Industry Operations Investigators will come to your premises for two reasons:

1. Application Investigation

Usually done in connection with your first application for a Federal Firearms License (FFL)

2. Compliance Investigation

Done after you have been operating

APPLICATION INVESTIGATIONS

Purposes

The purpose of an application investigation is to:

1. Verify the accuracy of the application
2. Determine whether the applicant is a prohibited person
3. To ensure the applicant intends to engage in business operations covered by the license applied for
4. To determine the applicant has suitable premises from which to conduct business
5. To determine the applicant's ability to comply with ATF requirements as well as state and local laws
6. To assist the industry member in understanding federal laws and regulations as they relate to the industry

What will the investigation consist of?

Contact by the Investigator. The investigator will make three attempts to contact you, probably by phone. He (or she) will leave messages if you have voicemail or if someone else answers the phone.

If you don't return any of the calls, the investigator will send you a certified letter, giving you his phone number and telling you he needs you to contact him in connection with your application. Respond as soon as possible. If you don't respond, you will receive a letter telling you that your application has been abandoned.

Good News – You will get your money back.

Bad News – You will have to re-apply to get an FFL.

Once you are in contact, the investigator will make an appointment to meet with you at your business premises.

What will happen during this meeting?

1. The investigator will ask you for identification.
2. He will review the application with you and help you correct any errors.
3. He will determine that the ownership of the business is what's stated on the application.
4. He will make sure all "responsible people" are shown on the application.
5. He will make sure that:
 - You've applied for the right license.
 - Your proposed activity doesn't require any other license.

6. He will determine whether you intend to be “engaged in business.”

Make sure you tell him you’re a gunsmith if you are going to only be gunsmithing!

7. He will determine whether your premises:
 - Are suitable for the activity you’re going to conduct
 - Are under your control
 - Will be accessible to ATF for future inspections
 - Can be used for business premises without violating state or local law
8. He will review key parts of the regulations with you.
 - He will give you a paper listing these regulations and where you can find them in ATF P5300.4.
 - He will have you sign his copy of this paper.*

What will happen as a result of the investigation?

The license will be issued within 60 days of the date ATF received the completed application.

On rare occasions, the investigator may tell you the license cannot be issued. This can be caused by the following reasons:

1. One of the responsible people is a prohibited person.
2. The business premises cannot be used because of a:
 - Problem with access by ATF
 - Problem with access by the public
 - Problem with state or local law

3. The “business” as described can’t be licensed.

- Gun shows only
- Personal collection only (does not apply to collector’s license)
- No intent to make profit

If this happens, you will be asked if you want to withdraw the application. Remember:

- Withdrawal is voluntary. You do not have to do it. The only advantages are:
 - You will get your money back faster.
 - On your next application, you can answer no to “denial” question.
 - You have a right to appeal any denial.
 - You can re-apply after correcting the problem.

COMPLIANCE INVESTIGATIONS

The purpose of a compliance investigation is to:

1. Make sure the business is properly licensed.
2. Determine whether the licensee is “engaged in business.”
3. Make sure all responsible people are listed in the licensing database.
4. Make sure all required records are being kept accurately.
5. Make sure all firearms in inventory, past or present, can be accounted for.

6. Determine whether business is operating in compliance with federal law:
 - See if there are any suspicious purchasers.
 - To assist the industry member in understanding federal laws and regulations as they relate to the industry.

What will the investigation consist of?

Contact by the Investigator. The investigator will probably not contact you in advance. He will show up during the business hours you stated on your application.

- By law, he has the right to enter your business premises and examine your inventory and records.
- If there is a problem with the time he has arrived, let him know and he may be able to reschedule his visit.

What will happen during the investigation?

Depending on the size of your business, he may be there for several days or even longer.

1. The investigator will ask you for identification.
2. He will make sure that the ownership of the business matches the application.
3. He will make sure the list of “responsible people” is still correct.
4. He will make sure you have the proper license for the business you’re conducting.

5. He will inventory your firearms and compare them to your A & D Record.
6. He will check some firearms you’ve sold to other FFLs and look for certified copies of their licenses.
7. He will check some firearms you’ve sold to non-licensees and look for Forms 4473 covering those sales.
8. He will check Forms 4473 for proper completion and determine whether NICS checks have been conducted.
9. He will check Forms 4473 for suspicious purchasers:
 - Possible prohibited people
 - Possible straw purchasers
 - Possible firearms traffickers
10. He will tell you what he found, whether there were any problems and will explain what corrective action you need to take.
11. He will answer any other questions you have and clear up anything else in the regulations you don’t understand.
 - He will give you another paper listing these key regulations and where you can find them in ATF P 5300.4.
 - He will have you sign his copy of this paper.

What will happen as a result of the investigation?

Nothing

The investigator will tell you that he found no problems and that you are operating in compliance.

REPORT OF VIOLATIONS

You will receive a form:

- Listing the regulations violated
- Describing the violations
- Listing the corrective action to be taken
- Giving you a date by which the corrections should be made

Revocation of the License/Denial of the Renewal Application

- Serious, willful violations have been found, of types leading directly to the criminal misuse of firearms.
- Extremely rare on a first compliance inspection.
- A long process.

Remember, you have appeal rights.

Warning Letter

- More serious problems were found.
- You will receive a letter:

- Listing the regulations violated
- Describing the violations
- Warning you that failing to correct the violations could lead to action against your license

Warning Conference

- Very serious violations have been found. You will receive a letter inviting you to attend a meeting with the area supervisor.
- Each violation will be discussed.
- Corrective action will be discussed.
- You will receive a confirmation letter stating what the problems were and what corrective action you agreed to.
- Read the letter and make sure you understand it and the agreed corrective action is correct.

Appendix 5 — Recordkeeping

RECORDKEEPING FOR LICENSED DEALERS (18 USC 923(G))

The requirements are:

1. Maintain an acquisition and disposition record.
 - A running inventory of the licensee's business firearms.
2. Maintain Firearms Transaction records, Forms 4473 for sales to non-licensees.
3. Maintain certified copies of the licenses of other licensees firearms were sold to.
4. Maintain copies of multiple sales reports.

RECORDKEEPING FOR NON-LICENSEES

The law requires no recordkeeping by non-licensees for Title I Firearms. However, firearms owners should maintain a list of their firearms, including serial numbers, in case of theft or loss.

Registered owners of NFA weapons should maintain copies of their registration forms. However, even if they have misplaced the forms, they are still the registered owners of the NFA weapons. They can obtain duplicate registration forms from ATF for any weapon registered to them in the NFA database.

Appendix 6 — Firearms Transaction Records

UNLICENSED PEOPLE AND THE GUN CONTROL ACT

An unlicensed person:

- Can only dispose of firearms to an unlicensed resident of same state (if buyer is not a prohibited person) or to a licensee in any state.
- Can only acquire a firearm within their home state, but may buy a rifle or shotgun in person from a licensee in any state if:
 1. Licensee's home state allows sale to out-of-state resident.
 2. Buyer's home state allows purchase out-of-state.
 3. Sale complies with all federal laws. (Form 4473 and NICS check.)
 4. Buyer is not a prohibited person.

An unlicensed person:

- May obtain a firearm from an out-of-state source by having the firearm shipped to a licensee in his home state and acquiring the firearm from that licensee.
 - Form 4473 and insta-check must be completed.
- May obtain ammunition from an out-of-state source as long as he is not a prohibited person.
- A person who is not a prohibited person may transport a firearm

interstate for any lawful purpose provided:

1. Firearm is unloaded
2. Firearm is in a locked trunk or in a locked container if there is no trunk
(Cannot be in glove compartment or console)
3. Carrying & Possession must be lawful in place of origin AND destination

An unlicensed person:

- May mail a rifle or shotgun:
 1. To a resident of his or her own state
 2. To a licensee in any state

Handguns are not mailable.

A common or contract carrier must be used to ship a handgun:

- 1. To a resident of his or her own state
- 2. To a licensee in any state
- May ship a firearm to himself or herself in care of another person for a lawful purpose
 1. Package should be addressed to owner
 2. Nobody else should open package
- If relocating out-of-state, may ship or transport a firearm he lawfully owns with him.

1. Must notify mover
2. Must check state and local laws of new home state
3. Machine gun (or other NFA type) owner must have prior approval of ATF
5. An official of a foreign government or a distinguished foreign visitor who has been so designated by the Department of State. *This exception only applies if the firearm or ammunition is shipped, transported, possessed, or received in the official's or visitor's official capacity, except if the visitor is a private individual who does not have an official capacity.*
6. A foreign law enforcement officer of a friendly foreign government entering the United States on official law enforcement business.

RESIDENCY

- For firearms purchase purposes, a person is a resident of the state in which he maintains his home. A member of the Armed Forces is a resident of the state in which his permanent duty station is located. If he actually lives in a nearby state and commutes to his duty station, he is a resident of both states.
- A non-immigrant alien, who has entered the U.S. with a non-immigrant visa, is a prohibited person unless he meets one of the exemptions:
 1. Here for a shooting event.
 2. Here for a hunting trip.
 3. Has a current hunting license.
 4. An official representative of a foreign government who is either accredited to the United States Government or the Government's mission to an international organization having its headquarters in the United States or is en route to or from another country to which that alien is accredited. *This exception only applies if the firearm or ammunition is shipped, transported, possessed, or received in the representative's official capacity.*

AGE LIMITS

- A person must be 18 to obtain a rifle or shotgun from a licensee.
- A person must be 21 to obtain a handgun from a licensee.

A parent or guardian may purchase firearms or ammunition as a gift for a juvenile.

A juvenile can only possess a handgun with written permission from a parent or guardian, for limited purposes:

1. Employment
2. Ranching
3. Farming
4. Target practice
5. Hunting

Appendix 7 — Licensing Under the GCA

TYPES OF FEDERAL FIREARMS LICENSES

- Dealer in firearms (other than destructive devices) (Type 01) (Includes gunsmith who does repairs for customers)
- Pawnbroker (Type 02)
- Collector (Type 03)
- Manufacturer of ammunition (for firearms other than destructive devices (Type 06)
- Manufacturer of firearms (other than destructive devices) (Type 07)(Includes gunsmith who manufactures firearms for sale)
- Importer of firearms (other than destructive devices) (Type 08)
- Dealer in destructive devices (Type 09)
- Manufacturer of destructive devices (Includes ammunition for destructive devices and armor piercing ammunition) (Type 10)
- Importer of destructive devices (Includes ammunition for destructive devices and armor piercing ammunition) (Type 11)

WHO CAN HOLD AN FFL?

Anyone who:

- Is at least 21 years old
- Is not a prohibited person
- Has not willfully violated the Gun Control Act

- Has not willfully failed to disclose material information on his application
- Has not willfully made false statements on his application
- Has premises from which to conduct business

In addition, the applicant must certify:

- The business to be conducted is not prohibited by state or local law.
- Within 30 days of the approval of the application, the business will comply with all applicable requirements of state and local law.
- Business will not be conducted under the license until all requirements of state and local law have been met.
- The applicant has given a copy of the application to the chief law enforcement officer where the premises are located.
- Secure gun storage or safety devices will be available. *

HOW DO I OBTAIN A FEDERAL FIREARMS LICENSE?

- Submit an application (ATF F. 7 or ATF F. 7CR) with the appropriate fee.
- Submit photographs and fingerprints of all responsible people.

MISCELLANEOUS LICENSING PROVISIONS

- A license only covers one location; the business premises. All sales must be made at that location or at a gun show in the same state.
- A licensee can purchase firearms at any location, but must be able to identify himself as a licensee.
- A licensed importer or manufacturer does not need a dealer's license to deal, at his premises, in the same type of firearms he is authorized to manufacture or import.
- A licensee who has filed a renewal application on time can continue to operate under his expired license until ATF acts on his application.

VIOLATIONS OF THE LAW BY LICENSEES

All violations are not equal. All violations are serious and must be corrected. Usually, correcting the violation is easy and no further action by ATF is required.

However, a licensee does not want to commit any violations that contribute directly to the criminal misuse of firearms. These violations are:

- A willful sale to a prohibited person
- Willfully facilitating a straw purchase
- A willful sale to an underage person
- Being unable to account for a significant number of firearms

These violations should be avoided at all costs.

Appendix 8 — Sales

SALES TO OUT-OF-STATE RESIDENTS

Only long guns can be sold directly to an out-of-state resident.

- The sale to an out-of-state resident must be legal in the dealer's home state.
- The purchase in another state must be legal in the purchaser's home state.
- The sale must comply with all federal laws.
- The purchaser must appear in person at the gun shop and make an over-the-counter purchase.

Any firearm can be shipped to a dealer in the purchaser's home state who would then transfer the gun to the unlicensed purchaser.

- The selling dealer must have a certified copy of the license of the dealer he's shipping the firearm to.
- The selling dealer's disposition is made to that dealer. He will log the firearm as acquired from the selling dealer and dispose of it to the purchaser.
- The dealer who disposes of the gun to the unlicensed purchaser has the purchaser complete Form 4473 and does the Insta-check.

SALES IN PART YEAR RESIDENTS

If a person maintains homes in two states and resides in both states for certain periods of the year, he or she may, during the period of time

the person resides in a state, purchase a handgun in that state.

Owning property in a state is not enough. The buyer must live there.

The dealer would have to identify the customer as discussed in that segment of the seminar. Remember, all I.D. documents must be government-issued.

There are two distinct issues:

1. Does the purchaser live in the state?
2. Does the purchaser have government-issued identification confirming that he lives in the state?

SALE OF FIREARMS TO LICENSED COLLECTORS

As most dealers should be aware, a federal collector's license only covers those firearms that are classified as curios and relics. *Curios and relics* are defined as:

- "Firearms which are of special interest to collectors by reason of some quality other than is associated with firearms intended for sporting use or as offensive or defensive weapons. To be recognized as curios or relics, firearms must fall within one of the following categories:
 - Firearms which were manufactured at least 50 years prior to the current date, but not including replicas thereof;
 - Firearms which are certified by the curator of a municipal, state or federal museum which exhibits

firearms to be curios or relics of museum interest; and

- Any other firearms which derive a substantial part of their monetary value from the fact that they are novel, rare, bizarre or because of their association with some historical figure, period or event. Proof of qualification of a particular firearm under this category may be established by evidence of present value and evidence that like firearms are not available except as collector's items, or that the value of like firearms available in ordinary commercial channels is substantially less.”

ATF Publication 5300.11, Firearms Curios and Relics List, consists of lists of these firearms determined to be curios or relics from 1972 to the present.

Therefore, a disposition to a federally licensed collector of a curio or relic handgun does not require an NICS check or the preparation of a Form 4473. However, you must get and maintain in your records a signed copy of the collector's license from the licensee.



A federally licensed collector acquiring any firearm that is not a curio or relic should be treated as a non-licensee.

SALES TO LAW ENFORCEMENT OFFICERS

When a law enforcement officer is buying a duty weapon, he is exempt from everything in the Gun Control Act except for the Lautenberg Amendment (Misdemeanor Crime of Domestic Violence).

He can purchase a handgun from outside his state of residence and he does not need to complete Form 4473.

To qualify for this exemption, he needs a letter from his commanding officer stating that the firearm will be used in his official duty and that the officer has not been convicted of a misdemeanor crime of domestic violence.

Remember that this exemption only applies to the purchase of a duty weapon.
A law enforcement officer purchasing a personal firearm, or without a letter from his commanding officer, is treated exactly like any other private citizen.

Appendix 9 — Controlling Your Inventory

A key to successfully maintaining your FFL is to control your inventory.

Why is this such an important key?

To be successful, a dealer needs to have the proper size inventory for his business.

An FFL must know what he has in inventory to know when to re-order firearms.

An excessive inventory is more difficult to control and takes money out of your pocket and converts it to firearms you won't sell in a reasonable period.

An inventory that is too small may cause you not to have fire- arms customers' wants and could cause you to lose sales.

Here are some simple things to think about to determine how large an inventory to maintain:

- When you order from each of your suppliers, how long does it take to receive your order?
- How many firearms, from the supplier you're considering, are you likely to sell during that period? (Remember seasonal differences.)
- How often do you take a physical inventory? Generally, you need to have enough firearms on hand to last until you can get an order filled.

In order to control your inventory, take frequent inventories:

1. During a round of firearms inspections in 2001, ATF found that dealers who took frequent inventories (one or more per year) did not have inventory problems. Dealer's that did not take frequent inventories all had inventory problems.

2. These do not have to be full inventories at one time. For example, inventory handguns one month, rifles a second, shotguns a third. This schedule would result in four full inventories a year.

3. The more frequent the inventories, the easier it will be to find and correct inventory errors.

What is a full inventory?

1. A comparison of each firearm on the premises to its entry in the Acquisition & Disposition (A & D) Record.
2. A search, physically and in sales records, for any firearm that is supposed to be on the premises and is not.

Correct inventory errors.

- Make corrections to the A & D Record. Enter firearms that were not entered.
- Correct entries as required.



Report missing firearms to ATF.

- Reference firearms to the A & D Record.
- Tag firearms in inventory:
 1. By date acquired. *Generally this is too vague a method.*
 2. By numbering firearms when entered into A & D Record. *Workable, but awkward with multiple books.*
 3. By referencing each firearm to its exact location in the A & D Record, i.e. Book 1, Page 23, Line 12. *This will allow you to find the firearm quickly if you're using the A & D Record.*

Appendix 10 — Straw Purchases

STRAW PURCHASES — WHAT ARE THEY?

A “straw purchase” is a situation in which a person is using a “straw purchaser”(another person) to acquire one or more firearms from a federal firearms licensee. This is a common way for prohibited people to try to acquire firearms.

Specifically, the actual buyer uses the straw purchaser to execute the Form 4473 purporting to show that the straw purchaser is the actual purchaser of the firearm. In some instances, a straw purchaser is used because the actual purchaser is prohibited from acquiring the firearm, (ie. a convicted felon). Because of his disability, the person uses a straw purchaser who is not prohibited from purchasing a firearm from the licensee. In other instances, neither the straw purchaser nor the actual purchaser is prohibited from acquiring the firearm.

In both instances, the straw purchaser violates federal law by making false statements on Form 4473 to the licensee with respect to the identity of the actual purchaser of the firearm, as well as the actual purchaser’s residence address and date of birth. The actual purchaser has unlawfully caused the making of the false statements and may be a prohibited person in possession of a firearm after the sale is made.

A licensee selling a firearm under these circumstances also violates federal law if the licensee is aware of the false statements on the Form 4473. He has falsified his records concerning the identity of the true purchaser of the firearm, and has sold a firearm to the true purchaser without having that person fill out ATF Form 4473 and without having an Insta-check (NICS) done on that person. He also may have disposed of a firearm to a prohibited person. It does not matter whether the straw purchaser and the actual purchaser are both residents of the state in which the

licensee’s business premises are located or whether neither of them is a prohibited person. Outside of a legitimate gift situation, any time one person is purchasing a firearm meant for another person, they are violating federal law.

Remember, a straw purchase is a common way that criminals acquire firearms.

What is an Insta-check worth if the person being checked is not the real purchaser of the firearm? The answer is “nothing.” A check of the wrong person is worthless.

Nobody should ever knowingly participate in a straw purchase for three reasons:

1. Straw purchases help criminals commit firearms crimes, which can harm innocent people.
2. Knowingly participating in a straw purchase is a crime, which can cost a licensee his firearms license and any participant his own firearms rights.
3. Participating in a straw purchase helps those people who want to portray the firearms business as something bad and put additional restrictions on the business.

Someone trying to make a straw purchase will usually not tell the seller what they’re doing, but there will often be signs of what’s occurring. If a seller is alert, he may be able to recognize these signs and stop the illegal sale from occurring.

We recommend a licensed dealer follow three simple rules to try to recognize a straw purchase as it’s occurring. While these rules were written for licensed dealers, they have some application to an unlicensed seller.

Know your Customer. Discuss the purchase and the purpose with the customer. A customer who’s buying a firearm suited to the purpose he’s buying

it for is likely to be a happy, and a repeat, customer. A straw purchaser, who's buying a firearm for someone else may have trouble with these type of questions.

You have a right to ask questions. A firearms dealer is in a high-risk business. Any seller has a right to satisfy himself that the sale he's being asked to make is legal and above board. As a seller, you have a right, and an obligation to yourself, to determine that the person asking you to sell him a firearm is the actual purchaser of the firearm.

You have a right to refuse to make a sale. If you believe that the person you're dealing with is not purchasing the firearm for himself, it is illegal to make the sale.

For a dealer, the most obvious sign that a straw purchase is occurring is question 11a on the new ATF Form 4473. This question asks: "Are you the actual buyer of the firearm(s) listed on this form?" If the purchaser answers "no" to that question, a dealer cannot sell him the firearm. He has, by that answer, told the dealer that he is buying the firearm for someone else. Remember that people sometimes misunderstand questions on forms. Remember the second rule above. A dealer has the right to ask questions. A dealer should ask the person if his answer to that question is correct, that he is not the actual buyer of the firearm. If he confirms it, the sale should not be made. If he wants to change the answer, the dealer should ask some more questions. One obvious question would be to find out why he answered "no" to that question. His answers and his reactions to the questions will help the dealer decide if this is a straw purchase. If the dealer is not satisfied that he is the actual purchaser of the firearm, the sale should not be made.

Appendix 11 — Prohibited Person

WHAT IS A PROHIBITED PERSON?

Reducing the gun control act to one sentence:
The purpose of the Gun Control Act is to keep firearms out of the hands of “prohibited persons.”

PROHIBITED PERSONS DEFINED

Under Indictment

Under indictment for “crime punishable by a term of imprisonment exceeding one year”:

Convicted Felons

- Convicted of a “crime punishable by a term of imprisonment exceeding one year.”
- This means a felony with a maximum penalty of over 1 year; or
- A misdemeanor with a maximum penalty of over 2 years.
- Does not include anti-trust, unfair trade practices etc.

Fugitives

Fled state to avoid criminal prosecution or to avoid giving testimony in a criminal proceeding.

Drug Users

Current user of illegal drugs.

Dishonorable Discharge

Discharged from the Armed Forces with a dishonorable discharge or dismissal adjudged by a general court martial.

Illegal Aliens

An alien who is in the U.S. illegally.

Mental Defectives

Finding by court that a person:

- Is a danger to himself or others
- Lacks the mental capacity to manage his own affairs

Evidence can be:

- Finding of insanity in a criminal case
- Found incompetent to stand trial

Renounced Citizenship

- Formal renunciation of U.S. citizenship
- Hasn’t been reversed

Restraining Order

Subject to a court order that restrains him from harassing, stalking or threatening an intimate partner or child of such intimate partner.

1. Issued after hearing
2. Restrains from harassing, stalking or threatening
3. Includes a finding that he is a credible threat; or
4. Explicitly prohibits the use, threatened use or attempted use of physical force

LAUTENBERG AMENDMENT 18 USC 922(G)(9)

Has been convicted of a misdemeanor crime of domestic violence.

- Misdemeanor or maximum penalty of less than a year in states that do not have misdemeanors
- Involves use or attempted use of physical force or threatened use of a deadly weapon
- Committed by current or former spouse, parent or guardian of the victim
- Must have been convicted, not just charged

Police officers are not exempt from this disability.

When buying a duty weapon, the officer must produce a letter from the commanding officer certifying the police officer has not been convicted of a misdemeanor crime of domestic violence.

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